

MILRC *Media Law Resource Center*
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MLRC Annual Dinner 2011

Anthony Lewis Receives MLRC's William J. Brennan, Jr. Defense of Freedom Award



Anthony Lewis, left, with MLRC Chairman Kenneth Richieri

On November 9, MLRC honored Anthony Lewis, an author, former columnist and reporter with The New York Times, for his lifetime of invaluable contributions supporting the freedom of speech and the press. He received MLRC's William J. Brennan, Jr. Defense of Freedom Award, at MLRC's annual dinner held at the Marriott Marquis hotel in New York.

Anthony Lewis has been passionately dedicated to the values of free speech and justice throughout his long career as a journalist, op-ed columnist, author and professor. His career includes more than 40 years at The New York Times as a Supreme Court reporter, bureau chief and op-ed columnist. Mr. Lewis has illuminated the complexities of the First Amendment for journalists, lawyers and students with his thoughtful writings and teachings on the Constitution and the press, most famously in his extraordinary exploration of the Supreme Court's decision in *New York Times v. Sullivan* in his book "Make No Law: The Sullivan Case and the First Amendment."

As a legal scholar, he has taught a generation of students about the Constitution and the press at Harvard Law School, Columbia Journalism School and universities throughout the country. Mr. Lewis was twice awarded the Pulitzer Prize.

Jeffrey Toobin, a staff writer at The New Yorker and a senior analyst for CNN, as well as a former student of Mr. Lewis, delivered introductory remarks about Mr. Lewis. Terry Moran, a co-anchor of ABC News "Nightline," interviewed Mr. Lewis about the Supreme Court, the First Amendment and the values and challenges of a free press.



MLRC Chairman Kenneth Richieri: As a journalist and as a professor, he has enlightened and provoked us with his thinking about civil liberties. His writings have served the highest ideals of journalism, exposing the evils of McCarthyism by showing its impact on a single individual, explaining Supreme Court decisions in ways that made them meaningful to the general public, and illustrating time and again, the importance of the First Amendment and the essential role that freedom of speech and freedom of the press plays in an open society.



Jeffrey Toobin: When it comes to freedom of the press the battles of Tony's life have almost all ended in victory, and Tony's work, especially as a columnist, had a significant role in that victory. Week after week, year after year, decade after decade, in our most important newspaper, Tony explained the value of a free press. He explained what the press needed from the government mostly was to be left alone. People listened, government listened and Tony won.

Terry Moran: I wonder if they're afraid, Tony. This gets to the big issue that is confronting the business we've all been in. You, for many decades, and all of us now, it's this, isn't it? The Media Law Resource Center. Who is the media? And who is not? So, I want to hear your thoughts about the Court as it approaches this very radically changing media atmosphere and whether they are almost gun-shy of drawing lines because who counts and who doesn't count as being within the protective umbrella of that robust and wonderful First Amendment.



Anthony Lewis: I would say that the notion of freedom, freedom for the least of us or the most of us, is basic and you have to start with that premise. There has to be some very strong, carefully drawn exceptions to the rule. Gross invasions of privacy would be one thing that I would care a lot about. Because I think privacy is a terribly important aspect of life and it's lost a lot of its weight in recent years. Young people expose themselves on the web in ways that I just find horrifying. You know that some future employer when that person is 40 years old is going to look at all the websites for the last 40 years or 20 years and say, "Why did you do this when you were in college?" I just hate the thought of it. So I haven't got an answer for you. If you want me to give you a formula for it, I don't have it, but I just think privacy has to have some consideration. It should be right there on the list.



Terry Moran: Where does WikiLeaks fit in to a First Amendment written in the 18th century and developed as you've covered it really in large part, for the national scope in the technologies of the 20th century when we have a guy like Julian Assange who's a kind of vandal out there in the ether?

Anthony Lewis: It's not an easy question. WikiLeaks, I think, left many people rather torn, because specifically if the United States government were to prosecute Assange or do something to stop the publication, I would be against that.



Terry Moran: What we should care about, what we should be doing?

Anthony Lewis: So what do I recommend? Be skeptical. Judges are just as imperfect as other people. Newspapers pride themselves on their imperfection, not that they want to be imperfect but they know from experience that they're going to be imperfect and they fought. This is what *New York Times v. Sullivan* is really about. They fought for the right to be wrong, as long as their wrongness was not a deliberate falsification; they fought for the right to make a mistake. Putting out a daily newspaper you make mistakes, it's inevitable. That's what the issue was and is. Just do your best.

A complete transcript of the discussion is [available online](#).



Students and colleagues of Anthony Lewis, left to right: Kenneth Richieri, Lynn Oberlander, Adam Liptak, John Zucker, George Freeman, Anthony Lewis, Prof. Vincent Blasi, Jeffrey Toobin, Itai Maytal, Eve Burton

Cyberlibel and Hyperlinks: A Victory for Freedom of Internet Communication

By Richard G. Dearden and Wendy J. Wagner

Is a hyperlinker who creates a hyperlink to a website containing defamatory statements liable for “publishing” the defamatory statements in the site? The answer is no.

In the seminal cyberlibel decision of [Crookes v. Newton](#), the Supreme Court of Canada recognized that the traditional common law rules of defamation cannot be applied to hyperlinks. The Court imposed a different standard of defamation law regarding the publication rule for hyperlinks than that which applies to print and broadcast media.

Hyperlinks Do Not Publish Defamatory Statements Found in the Linked Site

The traditional publication rule requires only that the libel plaintiff prove that the defendant has, by any act, conveyed defamatory meaning to a single third party who has received it: any act that has the effect of transferring the defamatory information to a third person constitutes a publication. The majority of the Court recognized that applying the traditional publication rule to hyperlinks would chill and devastate Internet communications:

The Internet cannot, in short, provide access to information without hyperlinks. Limiting their usefulness by subjecting them to the traditional publication rule would have the effect of seriously restricting the flow of information and, as a result, freedom of expression. The potential “chill” in how the Internet functions could be devastating, since primary article authors would unlikely want to risk liability for linking to another article over whose changeable content they have no control. Given the core significance of the role of hyperlinking to the Internet, we risk impairing its whole functioning. Strict application of the publication rule in these circumstances would be like trying to fit a square archaic peg into the hexagonal hole of modernity.

Although the Supreme Court unanimously dismissed the

appeal, there was a divergence of opinion on the test to be applied to determine who was a “publisher” of the defamatory statements in the linked site. The majority of the Court held that making reference to the existence and/or location of content by hyperlink or otherwise, without more, is not publication of that content. It held that “referencing on its own does not involve exerting *control* over the content. Communicating something is very different from merely communicating that something exists or where it exists ... Hyperlinks are, in essence, references.”

The “Without More” Proviso

Hyperlinkers should take note of the “without more” proviso of the majority’s decision as it applies to circumstances that could give rise to liability. The majority provides some guidance on what “without more” may mean. Only when a hyperlinker presents content from the hyperlinked material in a way that actually repeats the defamatory content, should that content be considered to be “published” by the hyperlinker.

In addition, where a defendant uses a reference in a manner that *in itself* conveys defamatory meaning about the plaintiff, the defendant will be considered the publisher of those defamatory statements. The majority held that: “Individuals may attract liability for hyperlinking if the manner in which they have referred to content conveys defamatory meaning; not because they have created a reference, but because, understood in context, they have actually *expressed* something defamatory ... This might be found to occur, for example, where a person places a reference in a text that repeats defamatory content from a secondary source. ...”

In their concurring judgment, Chief Justice McLachlin and Justice Fish proposed an “adoption or endorsement” test, holding that:

Is a hyperlinker who creates a hyperlink to a website containing defamatory statements liable for “publishing” the defamatory statements in the site? The answer is no.

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In sum, in our view, a hyperlink should constitute publication if, read contextually, the text that includes the hyperlink constitutes adoption or endorsement of the specific content it links to.

It is true that the traditional publication rule does not require the publisher to approve of the material published; he or she must merely communicate that material to a third party. However, the proposed adoption or endorsement standard for references is conceptually different. A mere reference without any adoption or endorsement remains that — a content neutral reference. Adoption or endorsement of the content accessible by a link in the text can be understood to actually incorporate the defamatory content into the text.

Thus the content of the text comes to include the defamatory content accessed via hyperlink. The hyperlink, combined with the surrounding words and context, ceases to be a mere reference and the content to which it refers becomes part of the published text itself.

Given that the majority of the Court did not find publication where a hyperlinker “adopts or endorses” defamatory content in hyperlinked text, there is no liability if a hyperlinker adopts or endorses the linked site without repeating the defamatory statements or conveying a defamatory meaning through the words that adopt or endorse the linked site, e.g., “For the truth about Mr. X, click HERE.” Nevertheless, hyperlinkers must be careful in how they word a Tweet, blog or any other primary article that includes a hyperlink to avoid falling into the “without more” proviso. As is always the case in defamation actions, the publication is considered in its entirety.

The Supreme Court of Canada’s decision is clear — a hyperlinker is not liable for the mere creation of a hyperlink to a site that contains defamatory statements. However, a libel

defendant subsequently posting hyperlinks to defamatory statements about a plaintiff will be evidence the plaintiff can rely upon to prove malice, as well as aggravated and punitive damages.

The Deliberate Act Test

In her concurring judgment, Justice Deschamps proposed the “deliberate act” test:

... In my view, the proper approach is (1) to explicitly recognize the requirement of a deliberate act as part of the Canadian common law publication rule, and (2) to continue developing the rule incrementally in order to circumscribe the manner in which a deliberate act must make defamatory information available if it is to result in a finding of publication.

The majority of the Court held that making reference to the existence and/or location of content by hyperlink or otherwise, without more, is not publication of that content.

More specifically, only where the plaintiff can establish on a balance of probabilities that the defendant performed a deliberate act that made defamatory information *readily available* to a third party in a comprehensible form will the requirements of the first component of publication be satisfied. Of course, before the court will make a finding of publication, the plaintiff must also satisfy the requirements of the second component of publication on a balance of probabilities, namely, that the “defamatory matter [was] brought by the defendant or his agent to the knowledge and understanding of some person other than the plaintiff”

The majority of the Supreme Court rejected the deliberate act test because:

“... it avoids the formalistic application of the traditional publication rule and

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recognizes the importance of the communicative and expressive function in referring to other sources. Applying such a rule to hyperlinks, as the reasons of Justice Deschamps demonstrate, has the effect of creating a presumption of liability for all hyperlinkers, an untenable situation. ...”

The Internet Is A Powerful Medium That Can Ruin Reputations

The majority decision emphasized that the Supreme Court of Canada does not resile from the importance of the protection of reputation and the harm that can be caused by Internet publications:

I do not for a moment wish to minimize the potentially harmful impacts of defamatory speech on the Internet. Nor do I resile from asserting that individuals’ reputations are entitled to vigorous protection from defamatory comments. It is clear that “the right to free expression does not confer a licence to ruin reputations ... Because the Internet is a powerful medium for all kinds of expression, it is also a potentially powerful vehicle for expression that is defamatory. ...

New activities on the Internet and the greater potential for anonymity amplify even further the ease with which a reputation can be harmed online:

But I am not persuaded that exposing mere hyperlinks to the traditional publication rule ultimately protects reputation.

A Victory for Freedom of Internet Expression

Once again, the Supreme Court of Canada has recognized the need to change the common law of defamation to accord with freedom of expression constitutionally guaranteed by section 2(b) of the *Canadian Charter of Rights and*

Freedoms. Notably, the Supreme Court of Canada recognized that the Internet is a different medium from print and broadcast.

What implications does the hyperlinks decision have for Internet service providers? Because an ISP plays a passive role in the content of Internet communication, it should not be liable for any defamatory statements published by its users. Likewise, it could be argued that Google and other search engines should not be liable for providing automatic search results that hyperlink to websites that contain the defamatory statements. This issue remains to be decided.

The Supreme Court of Canada’s decision is a major victory for freedom of Internet expression. However, the majority cautioned that the Internet is an environment of evolving technologies:

I am aware that distinctions can be drawn between hyperlinks, such as the deep and shallow hyperlinks at issue in this case, and links that automatically display other content. The reality of the Internet means that we are dealing with the inherent and inexorable fluidity of evolving technologies. As a result, it strikes me as unwise in these reasons to attempt to anticipate, let alone comprehensively address, the legal implications of the varieties of links that are or may become available. Embedded or automatic links, for example, may well prove to be of consequence in future cases, but these differences were not argued in this case or addressed in the courts below, and therefore need not be addressed here.

In other words, we have entered the new frontier of cyberlibel. The hyperlinks decision is the first of many cyberlibel cases the Courts will have to decide in the ever-changing, fast-paced world of Internet technologies.

Richard G. Dearden and Wendy J. Wagner are partners Gowlings in Ottawa, Canada. They represented intervener the Samuelson-Glushko Canadian Internet Policy and Public Interest Clinic. The defendant in the case was represented by Daniel Burnett, Owen Bird, Vancouver, Canada.

Other Side of the Pond: Updates on UK and European Media Law

Libel Reform, Leveson Inquiry, Media Litigation, EU Assession and More

By David Hooper

The Parliamentary Joint Committee on the draft Defamation Bill [published its report](#) on 12 October 2011 and the government has now produced its [summary of the responses](#) to the consultation process in regard to the first draft of the Defamation Bill. The consultation process had closed on 12 June 2011. Over one hundred parties filed comments on the bill, including MLRC.

Interestingly the Parliamentary Joint Committee felt that the Defamation Bill did not go far enough in striking a fair balance between the protection of reputation and freedom of speech. It wanted the original test for libel to contain a requirement that there should be substantial harm as a result of the libel to be strengthened into a need to establish serious and substantial harm. Bearing in mind the buffeting that the press is receiving in this country as a result of the hacking scandal and the evidence emerging at the Leveson Inquiry, that, it seems, is likely to prove optimistic.

Broadly speaking the Joint Committee supported the proposals of the draft Defamation Bill particularly in relation to limiting jury trial, setting out in statutory form the responsible journalism test and extending qualified privilege to peer-reviewed articles in scientific and academic fields and generally in restricting liable tourism so that there is a careful scrutiny of the damage that is said to be done in the United Kingdom as a result of the publication as opposed to the much greater publication elsewhere.

What was perhaps the most interesting about the Joint Committee was that it grappled with a number of issues which the draft Bill had left open for further discussion. Foremost among these was the question of whether corporations could sue. The Joint Committee felt that there should be a higher threshold before corporations could bring

actions for libel, namely whether there had been or was likely to be a substantial loss of custom directly caused by the defamatory statements. That would still leave corporations able to sue, which seems to be the general consensus of opinion in the United Kingdom, but corporations are however likely to find that proving such damages will prove difficult. The Committee also considered the question of the extent to which ISPs should be required to take down allegedly defamatory material upon the receipt of a complaint.

At present it is a brave ISP who does not take material down on receipt of a complaint from a claimant's lawyer. Here the Committee has proved to be somewhat cautious. They appear sympathetic to the idea that ISPs should in general take down anonymously posted material but they envisaged, for example, in the case of whistleblowers, that ISPs could apply to a Judge for an exemption from the take down procedure and secure a "Leave Up Order." It is open to question whether ISPs would except in the most extreme cases bother to incur such an expense.

The next step is for the government's conclusions on the consultation process to be published in the New Year with a revised draft Bill where one will want to look for the nature of government responses on the matters which they did not deal with in the original draft Defamation Bill such as for example, the ability of corporations to sue for libel and the protection of ISPs.

The next step is for the government's conclusions on the consultation process to be published in the New Year with a revised draft Bill where one will want to look for the nature of government responses on the matters which they did not deal with in the original draft Defamation Bill.

The Leveson Inquiry

Witnesses – often with harrowing tales of how they were harassed by the tabloid press have been giving evidence in front of Lord Justice Leveson and his committee. The

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political appetite for liberalising the libel laws and curtailing the ability of Claimants to bring continental-style privacy claims may well weaken in the face of this onslaught.

As I mentioned in an earlier article, the scandal has done little for the professional standing of those it has touched whether they be lawyers, policeman or senior newspaper executives. One of the latest sufferers has been the well-known lawyers, Farrer & Co. One of their partners and a leading media lawyer at the firm, Julian Pike, cannot have enjoyed having his privileged communications with his clients dissected by a hostile Parliamentary Committee. Amongst his less happy moments must surely have been the moment when he was asked about his discussions when he appeared to have considered hiring a private investigator to see if two of the leading Claimant lawyers in phone hacking cases were – to use his rather quaint and coy language "*an item.*" This apparently was to see if there was any breach of confidentiality relating to the settlement of the Taylor privacy claim where a claim which was admitted by Pike be worth probably only in the order of £30 -40,000 damages was in fact settled for £425,000, but with an all-important confidentiality clause. This case which related to the alleged love life of the head of the Professional Footballer's Association ultimately caused the whole phone hacking scandal to unravel and emerge.

Mr Pike found himself accused of oppressive tactics and it was at first blush a little difficult to see what private investigators would have discovered, unless they had retrieved some distinctly unamorous pillow talk. What does seem to be emerging is that the allegations are that phone hacking was done on an industrial scale. The opening remarks of Counsel to the Inquiry suggested that the jailed private investigator had notes running to some 11,000 pages involving 2,266 tasks of which 1,453 were attributed to one individual, but that the investigator allegedly had dealt with 28 different journalists and that enquiries had been made relating to 5,795 persons with 690 audible recordings and 586 voicemail messages allegedly intercepted. The Leveson

Inquiry will endeavour to form a view as to the extent of press misbehaviour, whether this all is a matter of history or whether it continues in such a fashion as to require radical regulation.

The likelihood is that there will be stronger regulation with a preference for self-regulation with more teeth than the existing Press Complaints Commission and borrowing quite possibly from the powers of Ofcom or the Advertising Standards Authority. One of the difficulties that Leveson may have is the time that the probable prosecutions of various individuals related to the phone hacking scandal and payments to the police is taking. Charges may well not be levelled until early 2012 with trials not taking place much before the end of 2012. Leveson is likely to feel restricted in what he can say about actual misconduct in particular incidents because of fear of prejudicing criminal trials. It will also be interesting to see the extent to which political parties are willing to place curbs on the press in the run up to elections in 2015.



Winners and Losers in Media Litigation

There is perhaps an element of schadenfreude in seeing the case brought by Sheldon Adelson CEO of the Las Vegas Sands Casino Corporation in [Adelson and Las Vegas Sands Corporation v Anderson](#) (2011) EWHC 2497 being struck out as a result of his failure to pursue the matter. This dated way back to September 2004 and related to critical remarks made by Trade Union activists at the Labour Party Conference. Adelson had vigorously pursued a claim against Associated Newspapers but after the trial had been set for October 2007, this particular matter appears not to have been pursued for a number of years and the Court felt that no useful purpose would be served by this matter being litigated and the claim was struck out.

The Solicitors from Hell Litigation, seems finally to have bitten the dust. It had spawned no less than seventeen claims. Mr Justice Tugendhat on 15 November 2011 issued an injunction which closed down the website on a number of grounds which included harassment and unlawful data

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processing. It seems that this may have led to various imitators setting up similar sites out of the jurisdiction, but the likelihood is that they will have less media exposure and although the problem will not disappear completely, it is likely to diminish. It is an interesting example of how the Courts will ultimately order a persistently defamatory website to be taken down, although it does pre-suppose the existence of a Defendant within the jurisdiction.

Malicious falsehood is often something of a long stop for weak defamation claims. In [Tesla Motors Limited v BBC](#) (2011) EWHC 2760, Mr Justice Tugendhat struck out the claim on the basis that the Claimant could not establish that it was probable that damage would result from the broadcast. Exactly why it had ever been felt appropriate to litigate the matter was far from clear. The programme concerned a road test of a Roadstar electric car and some rather unkind comments about its performance when the car ran out of charge after fifty five miles.

By chance the man who had made those unkind comments had been the Claimant in a previously anonymised privacy action [AMH v HXW](#) where his ex-wife was said to have claimed that she had had an affair with Jeremy Clarkson after he had married another woman. Clarkson had obtained an anonymised privacy injunction. He is a very well-known television personality and the Blogosphere and Twitter were alive with rumours that he had obtained such an order. Eventually Clarkson announced that the injunction seemed pointless and that such privacy injunctions did not work - a conclusion which had been earlier reached by the political commentator and broadcaster Andrew Marr who had likewise obtained but then abandoned an injunction in respect of his improbably adventurous social life. Clarkson's case does raise questions as to whether such injunctions obtained by celebrities are necessarily productive in cases which are not perhaps of the greatest importance. All Clarkson seemed to do was to obtain more publicity for the allegations and a platform for by his then re-estranged former wife, who by that stage had hired a leading publicist to tell her tale.

There has been a particularly disastrous outcome, it would seem, in Ireland where the main television company, RTE, had ended up paying huge damages for naming and shaming one of the few catholic priests who was not, in fact, abusing a child, having expressed exactly the opposite in the *Prime Time Investigates* programme. The managing director of their news service and their current affairs editor have agreed

to step aside from their roles during an enquiry into how these allegations came to be made. The libel settlement and Court costs are said to be not less than €2 million.

It is perhaps small consolation that things are even worse in India where a television news programme reporting a fraud allegedly involving a High Court Judge in Calcutta showed for fifteen seconds the picture of a blameless and retired Supreme Court Judge who was no doubt identifiable to a significant number of people, despite being photographed in his dark glasses. Amazingly, the District Court of Puna decided that this libel, for which there had some thirteen days later been an apology, was worth ₹12.5m (100 Crore Rupees). [Sawant v Times Global Broadcasting Co Ltd](#) (April 15, 2011). An appeal to the High Court of Bombay on the part of the broadcaster "Times Now" floundered when the Court indicated that it would only hear the appeal if ₹2.5m was deposited and a guarantee was lodged for ₹10m. The judge would have been lucky to obtain more than £25-30,000 if he had sued in the UK, bearing in mind the steps taken by the television station.

Amongst those who have been successful in Court is that evergreen litigant, Max Mosley, who on 8 November obtained from a Paris Court €7,000 damages, €15,000 costs and a fine of €10,000 against News Group Newspapers in respect of the fifteen hundred copies of the News of the World which were sold in France depicting what the newspaper had falsely alleged was a sick Nazi orgy, but which was undoubtedly a pseudo-masochistic gathering albeit of a moderately private nature conducted by a reasonably prominent public figure.

Very recently the girlfriend of the actor Hugh Grant and mother of his child obtained an injunction in [Ting Lan Hung v XYZ](#) (2011) EWHC 2995 preventing her harassment by the paparazzi who were said to have made her life unbearable. Attempts by the Press Complaints Commission to prevent these objectionable activities had been successful with the mainstream press, but not it appeared with the paparazzi, and a harassment injunction was obtained.

In [Morrissey v IPC Media Limited](#) (2010) EWHC 2738, the pop star was successful in preventing his claim being struck out for want of prosecution against the magazine New Musical Express. The matter will now come before trial. It dated back to an article in the New Musical Express of December 2007 which was said to accuse him of racism and holding right-wing views on immigration. Although there

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had been some three years delay, the Judge concluded that he could not say that the explanation given on behalf of Morrissey that the matter had been delayed as a result of a dispute with his manager was other than credible and the Judge concluded that on balance he likewise could not say that a fair trial was no longer possible.

Extension of Human Rights in the European Union

The [European Union has acceded](#) on 14 October 2011 to the European Convention of Human Rights which results in the European Union's legal system now recognising an obligation to respect the European Convention of Human Rights when applying or implementing the law of European Union by virtue of the European Union itself becoming a party to the Convention.

This arises by virtue of the draft Accession Agreement of 14 October 2011 and arises under the powers implemented under Article 6 Lisbon Treaty 2009. The Charter of European Human Rights becomes directly enforceable by the EU and National Courts. Although the EU was founded on respect for fundamental rights, until its accession, it was not in fact a party to the European Convention of Human Rights, which meant that the European Convention of Human Rights was in practice a more subordinate body than the all-powerful European Union.

The purpose of the EU's accession is to strengthen the protection of human rights by submitting the EU's legal system to independent external control and to ensure that European citizens receive the same protection in relation to acts of the EU as they presently enjoy from member states. Exactly what effect this will have is not clear. The EU was always meant to respect ECHR principles, so this change may be ideological rather than practical. However, the hard-pressed European Court of Human Rights will receive even more cases and it may become a more important institution in terms of the wider European Union. Ironically



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this happens at a time when senior English judges such as Lord Chief Justice, Lord Judge, are seeking to rein back on the rulings of the European Court of Human Rights which seek, by way of example, to change rules of admissibility of evidence from the deceased in criminal trials, which Strasberg wants to limit. The UK need only take account of but not necessarily follow Strasbourg judgements, it is however bound by Brussels judgements, so the accession of the EU may lead to the strengthening of the effect of Strasbourg judgements.

The Patents County Court

There are a number of interesting developments taking place to streamline the bringing of smaller patents and intellectual property claims in England. The Patents County Court will have a jurisdiction of £500,000. Procedures had been streamlined for claims up to £50,000 with a scale of maximum costs and there is to be a small claims procedure with damages limited to £5,000 with fixed costs. Intellectual Property litigation in the United Kingdom had been found to be three times more expensive small to medium cases than in other European states. These changes are designed to address that point.

Google Not Bound to Take Down Blogs

Readers may wish to examine the judgement just handed down by Judge Parkes QC on 25 November 2011 in [Davison v Habeeb & Google Inc.](#) Google was not required to take down blogs despite being requested to do so, when it was in no position to adjudicate the matter and when it would appear to have a defence under Articles 14 and 19 of the Electronic Commerce Regulations 2000 and that it was held that there was no real or substantial tort within the jurisdiction.

David Hooper is a partner at Reynolds Porter Chamberlain in London.

In October the European Court of Justice issued an important decision affecting jurisdiction and choice of law in claims against online publishers. MLRC asked French and English counsel to analyze the impact of the decision.

Infringement of Personality Rights on the Internet

Impact of ECJ Decision on French Law of Jurisdiction

By Jean-Frédéric Gaultier and Emmanuelle Lévy

The European Court of Justice, the highest court to interpret EU law, recently ruled on the issues of jurisdiction of the Member States with respect to infringement of personality rights committed on the Internet and on the law applicable to e-commerce service providers, such as online newspapers. [*eDate Advertising GmbH v. X and Olivier Martinez v. MGN Ltd*](#) (October 25, 2011, Cases No. C-509/09 and C-161/10).

Two Cases Referred to ECJ for Preliminary Ruling

In the first case, Mr. X, a German citizen domiciled in Germany, was sentenced in 1993 by a German court to life imprisonment for the murder of a well-known actor. Mr. X had been released on parole in January 2008. He considered that the publication on the Austrian Internet portal eDate Advertising GmbH of information about him dating back to 1999 was defamatory. German courts granted the applications of Mr. X by prohibiting eDate Advertising GmbH from publishing information about him throughout Germany. eDate Advertising GmbH filed an appeal on the grounds of lack of jurisdiction of German courts. This case was ultimately referred to the ECJ for a preliminary ruling on jurisdiction and applicable law.

In the second case, the French actor Olivier Martinez sued for damages on the grounds of invasion of privacy and infringement of the right to his image against the British newspaper Sunday Mirror, which published in its online edition an article written in English entitled "*Kylie Minogue is back with Olivier Martinez*," reporting the couple's meeting in Paris. The publisher of the newspaper challenged the jurisdiction of the French court. The EUCJ was asked for a preliminary ruling on this issue.

The EUCJ decided to consolidate both cases.

Jurisdiction for Online Infringements of Personality Rights

As an exception to the principle of jurisdiction of the courts of the place of domicile of the defendant, Article 5.3 of EC Regulation No. 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters provides that: "*A person domiciled in a Member State may, in another Member State, be sued (...) 3. in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur*".

According to well-established case law, the place where the harmful event occurred covers both the place of the event giving rise to it and that where the damage occurred. Each of these places may constitute a special domestic connecting factor regarding jurisdiction.

As regards infringement of personality rights committed by means of print media, further to the well-known case *Shevill v. Presse Alliance* 1995 ECR I 415 (EUCJ, March 7, 1995, Case C-68/93), the victim of a defamation by a newspaper distributed in several Contracting States has the choice to bring an action for damages against the publisher either before the courts of the Contracting State of the place where said publisher is established, which have jurisdiction to award damages for all the harm caused by the defamation, or before the courts of each Contracting State in which the publication was distributed and where the victim claims to have suffered injury to his/her reputation, which have jurisdiction to rule solely in respect of the harm caused in the State of the court seized.

With respect to publication on the Internet, French case law has fluctuated on the question of whether the damage actually occurs

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in France: after having considered that French courts have jurisdiction when the website in question is accessible from France, the current dominant case law considers that French courts have jurisdiction only when there is a sufficient, substantial and significant link between the website at issue and French territory, the mere accessibility of the website from France not being sufficient. In order to establish this link, courts consider a body of evidence such as the language in which the contentious information is broadcasted, the targeted public, the nationality of the persons concerned, the importance of connections to the page in question, the country extension of the website, etc. Where such link exists, French courts consider they have jurisdiction only in respect of the damage suffered on French territory.

The ECJ's decision of 25 October 2011 implemented a new criteria of jurisdiction. The holder of a personality right which considers itself injured on the Internet may bring an action for liability, in respect of all his damage, before the courts of the Member State in which is located the "center of his interests." The State where a person has the center of his interests will correspond in general to his habitual residence, but other factors such as the place of pursuit of his professional activity, may also be taken into account.

According to the ECJ, this new criterion is justified by the nature of the Internet. While for print media, television or radio, the damage caused by the infringement of personal rights generally occur in a national context, on the Internet, the universal nature of the information may lead to a wider harm. When applying the criteria established for print media by *Shevill* to the Internet, the legal protection of the victim would be lower because of the coexistence of different national systems and the fragmentation of courts having jurisdiction to hear the case.

With this new rule of jurisdiction for infringements on the Internet, in most cases the courts of the domicile of the plaintiff are likely to have jurisdiction, which is quite contrary to usual legal principles. It may also have quite severe consequences for online publishers. A website in English language, published in the UK and intended for a local audience might be sued before French courts if it publishes an article about a French politician, before German courts if it writes about someone in jail in Germany (as in the first case referred to the ECJ), before a Swedish court if it reports news about a Swedish businessman, etc. Not only should online newspapers respect their domestic laws, but also those of the countries of the subject-matters of their articles. The second part of the EUCJ decision, though less clear, seems to be meant to balance these drastic consequences.

Choice of Law?

The ECJ was also asked whether Article 3 of Directive 2000/31/EC of 8 June 2000 on certain legal aspects of information society, in particular electronic commerce, in the Internal Market ("Directive on electronic commerce") requires a transposition in the form of a specific conflict-of-laws rule, under which information society providers - in this case the editors of online newspapers - would be subject to the laws of the Member State in which they are established, instead of the laws of the countries where they would be sued.

The ECJ responded negatively, reminding that only the rules of private international law of each Member State are applicable. However, the Court specified that in order to effectively guarantee freedom to provide services in the information society, the provider of an e-commerce service cannot be subject to stricter requirements than those provided for by his Member State of establishment.

In France, regarding infringement of personality rights, the conflict-of-laws rules generated by case law provide that the applicable law is that of the State where the harmful event occurred, the latter being understood as the place where the event resulting in damage occurred (for example the place of publication) as well as the place of occurrence of it (for example the places of distribution). The judge will choose the one with which the infringement has the closest connections. In a recent decision, a French court ruled that English laws were applicable to a claim on the grounds of right of response directed by an individual domiciled in France against the online edition of the English newspaper *The Observer*. The ECJ decision seems to accept this case law.

More generally, if the law applicable to the litigation may not subject the editor of the website in question to stricter requirements than those provided by the law of the Member State in which it is established, this rule may limit, on the side of website editors, the legal uncertainty resulting from the new rule of jurisdiction. It seems that this corrective on the merits will a priori be applied only to the editors of websites established in one of the Member States.

In any event, one should wait and see how national courts will apply these new principles.

Jean-Frédéric Gaultier and Emmanuelle Lévy are lawyers with Clifford Chance in Paris.

European Internet Forum Shopping Bonanza

By David Hooper

The recent decisions in [Olivier Martinez v. MGN Ltd and eDate Advertising GmbH v. X](#) in the two cases (C509/09 and C161/10) decided by the European Court of Justice on 25 October 2011 raised the question of how individuals can sue internet publishers, when they believe that their image in terms of privacy and personality rights has been harmed as a result of content which has been posted online.

The cases laid down the principles which enable a Claimant to sue for all the damage that he has suffered as a result of publication on the Internet throughout the European Union. The decision now enables a Claimant to choose the jurisdiction of *his* choice and, for example, sue in France not only for the acts of downloading in France, but elsewhere throughout the European Union. It is a decision with alarming implications shifting from the defendant to the claimant the choice of the forum for the action to where he can establish where his *center of interests* are.

Once that is done he can obtain damages for breach of his rights across the European Union. The likely upshot will be that people will increasingly sue in countries such as France where the privacy laws are much stricter – albeit that the damages are not that great – and claimants will in effect obtain in the Paris Courts a judgment in respect of their privacy being infringed in England in respect of the article being downloaded not just in France but also in England. One of the other matters that will fall for consideration later is whether the European Court will extend the *Martinez* principles to defamation and breach of copyright claims.

Background

Olivier Martinez is a French actor who had obtained judgment against the Sunday Mirror, the Daily Mail and the Evening Standard for €4,500 for each publication in respect of articles which suggested that he had resumed his relationship with Kylie Minogue the Australian actress and singer. Martinez sued not only in respect of his Article 8 privacy rights but also under a pernicious French right of

image law which entitles people to sue for the use of their image or photograph without their permission however public and non-intrusive that photograph might be.

The eDate case involved a claim by a convicted German murderer against an Austrian operator of an Internet portal. Under German law it was unlawful to name the murderer who had by that time been released. The question was whether he could sue in Germany an Austrian company for publishing this information on the Internet in Austria as a result of a breach of German but not Austrian law.

Until the *Martinez* case the general rule under Article 2 of Brussels 1 Regulation (EC) 44/2001 had been that a defendant could be sued in the Court of the member state in which it was domiciled for *all* the publication throughout the European Union. This meant that if a French man wanted to sue an English-based publication for the infringement throughout the European Union, he would have to have sued in England. This was sometimes described as giving home advantage to the defendant, but it did have the practical consequence that the English newspaper would prior to publication have considered the legal position under English law where the bulk of the publication would have taken place. It would therefore have had the opportunity of ensuring that the publication was lawful under English law and of

considering whether or not to publish in jurisdictions where there might have been a claim and even if it could not exclude all liability, it was in a much better position to limit the level of risk.

It was however, open to that notional French man under Article 5 (3) to sue the English newspaper in respect of but limited to the damage in a particular contracting state for the country where the harmful event had occurred or might occur. This would mean that the French man could for example sue for privacy under French law, but his claim would be limited only to the number of copies sold in French and the value of a claim tended to be low.

These principles were confirmed in the case of *Shevill v. Presse Alliance 1995 ECR I-415*. In that case ironically it

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It is a decision with alarming implications shifting from the defendant to the claimant the choice of the forum for the action to where he can establish where his *center of interests* are.

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was a lady living in Yorkshire who sued a French evening paper France Soir in respect of the 250 copies which circulated in England. The European Court of Justice upheld her entitlement to do so under the Brussels Convention. As the Claimant had found herself accused of involvement in alleged money laundering through a currency exchange agency, there was some justification for her contention that her reputation in England and particularly in Yorkshire where surprisingly 17 copies of this French evening newspaper were sold was likely to be affected by the publication in England.

ECJ Decision

Until the *Martinez* decision people would most likely have concluded that Mr Martinez could only have sued the Sunday Mirror in respect of copies actually downloaded within the jurisdiction of the French Courts. That has now been changed where the Claimant considers that his rights have been infringed by means of content placed online on an internet website. He will now have the option of bringing an action in respect of *all* the damage caused either before the Courts of the member state in which the publisher of that content is established (the Article 2 liability) - the Defendant's home advantage - or before the Courts of the member state in which the centre of the Claimant's interest is based - the Claimant's choice of forum.

There is however an important limitation on this extension of jurisdiction in that the courts of the member state where the claimant has its centre of interests must apply the

law in a manner that complies with the law of the state in which the service provider is established. In other words if you have a service provider established in England and a claimant with his centre of interests based in France, the French court cannot apply the stricter French law in respect of damage caused by publication in England if that damage would not be actionable in England. There must be a degree of double actionability and a French court cannot impose its law of personality or image which would not be actionable in England, whereas it could in respect of a pure privacy right which would be actionable in both countries, albeit that the law of France in terms of privacy would be distinctly more favourable to a claimant than the law of England

The Claimant will also have the option of suing not in respect of all the damaged caused, but in respect of damages in relation to a particular member state limited to the extent of the publication in that country (the Article 5(3)) liability). The centre of his interests is a widely defined concept and in effect gives the Claimant a wide choice as regards jurisdiction. The centre of his interests is the place where a person may have his habitual residence, but it also extends to a member state in which he may not habitually reside, but there may be other relevant factors such as the pursuit of a special activity which may be held to establish the existence of a particularly close link with that state.

The moral may be to beware of publishing things about people who have appeared in French movies. Readers should study this judgment of the European Court of Justice.

David Hooper is a partner at Reynolds Porter Chamberlain in London.

MLRC UPCOMING EVENTS

[MLRC/Stanford Digital Media Conference](#)

May 21-22, 2012 | Stanford, California

MLRC/NAA/NAB 2012 Media Law Conference

Sept. 12-14, 2012 | Reston, Virginia

MLRC Annual Dinner

November 14, 2012 | New York, NY

Daily Mirror Wins Privacy Trial Over “Kiss ‘n’ Tell” Article about Footballer

Public Interest in Article about Team Captain’s Private Life

By Keith Mathieson

Max Clifford is Britain’s best-known publicist. His particular speciality is the “kiss ‘n’ tell” story, whereby women who have dated celebrities sell their stories to tabloid newspapers. Mr. Clifford is usually the middle-man for these stories, for which he charges a commission of 20%.

Kiss ‘n’ tell stories may not be the most elevated form of journalism – and their detractors may be pleased that the demise of the *News of the World* means their biggest marketplace has disappeared – but they do sell newspapers and for that reason may serve a useful purpose in supporting media plurality in difficult economic times.

Kiss ‘n’ tell stories have not always found favor with the courts. Many injunctions have been granted in recent years to prevent such stories being published. The traditional analysis at the interlocutory stage is that the threatened intrusion of personal privacy is self-evident with no countervailing public interest to justify the intrusion. The stories are usually characterized in the famous expression coined by Baroness Hale in [Campbell v Mirror Group Newspapers Ltd](#) [2004] UKHL 22: “vapid tittle-tattle”.

Rio Ferdinand Case

The recent judgment of Mr. Justice Nicol in [Ferdinand v MGN](#) [2011] EWHC 2454 (QB) contains a much fuller discussion of the issues of privacy and public interest surrounding such stories than we have been used to. To the surprise of some, and the delight of others, Nicol J dismissed a privacy action by the former England football captain arising out of a Max-Clifford-sponsored kiss ‘n’ tell story by an old flame of Mr. Ferdinand. The judgment shows that actions based on sex stories are not quite the slam-dunk (or

open goal, to use the more appropriate soccer term) that claimant lawyers may have thought.

The story Mr Ferdinand sued over was published by the *Sunday Mirror* in April 2010. It was headlined “My Affair With England Captain Rio” and was an account by Carly Storey of her relationship with Mr. Ferdinand, one of England’s most successful footballers and for a short time captain of the national team.

At the time of writing, Nicol J’s judgment has been redacted pending a possible appeal by Ferdinand and it is not therefore possible to describe the contents of the article in full

without breaching the court’s order. What can be said is that the article revealed that Mr. Ferdinand and Ms Storey had had an on-off sexual relationship over many years, including the period when Mr. Ferdinand was in a long-term relationship with the woman who is now his wife and the mother of his three children. The article included screen shots of text messages passing between Mr Ferdinand and Ms Storey and a photograph of the two of them in a hotel room some 13 years previously.

The article began with the quoted remark of Fabio Capello, the Italian manager of the England team who had appointed Mr Ferdinand as captain: “I ask always that the captain is an example to the young, for the children, for the fans...a role model outside the game – in life as well.” A panel that formed part of the two-page article contained some quoted remarks of Mr. Ferdinand himself. Headed “Rio Reformed,” it described how Mr. Ferdinand had

“earned a reputation in his early career as a football bad boy with driving convictions, sex scandals and a missed drugs test ban.”

But when he was about to become a father

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The judgment shows that actions based on sex stories are not quite the slam-dunk (or open goal, to use the more appropriate soccer term) that claimant lawyers may have thought.

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in 2006, he vowed to change his ways, saying, “I’ve strayed in the past but I’m going to be a family man now. My priority now is Rebecca, the baby and having a stable family life.”

Rio also recognised that failing to consign his wild man ways to the past could harm his career playing for Manchester United under Sir Alex Ferguson, “You have to take charge of your conduct and the way you live outside football or you’ll be out of the door,” he said.

Rio set about transforming his image. He signed up as the Prince’s Trust patron and in 2008 announced plans for his own charity, the Rio Ferdinand Live the Dream Foundation to help disadvantaged youngsters. He also invested in a record label and became the face of his own celebrity life style magazine #5. Recently he was described as a ‘role model’ in press releases for *Dead Man Running* - a film starring rapper 50 cent which he helped finance.”

The newspaper argued that Mr. Ferdinand had created a false image of himself as a reformed character and had done so partly in order to boost his career.

Mr. Ferdinand sued for infringement of his privacy, misuse of his private information and breach of confidence.

Evidence at Trial

During the trial the court heard evidence (some of it in private, i.e. with press and public excluded) about Mr. Ferdinand’s personal background, including his somewhat “wild” reputation arising from such incidents as a filmed sex session while on holiday in Cyprus with his soccer teammates. Mr. Ferdinand accepted in cross-examination that he had given an interview to the *News of the World* in 2006 in which he had said “I’ve strayed in the past, but I’m going to be a family man now” and that this conjured up an image of himself that was not consistent with extra-marital affairs.

He also accepted he had made other statements about his character with particular reference to his family life, including a passage in his autobiography in which he had said “I have realised that we do have a responsibility off the field because children look up to us and want to be like us.”

Nicol J first had to decide if Mr. Ferdinand had a reasonable expectation of privacy. If so, he had then to decide if there was nonetheless a sufficient public interest to justify the infringement of his privacy.

The judge decided that the information in the article was in principle protected by the right to privacy enshrined in Article 8 of the European Convention on Human Rights. The sexual relationship was not widely known and even if known to a small number of family and acquaintances, this was not conclusive on the question of whether the relationship was capable of protection: see [Browne v Associated Newspapers Ltd](#) [2007] EWCA Civ 295.

The text messages were examples of “correspondence” which is explicitly protected by Article 8. The photograph was “closer to the borderline,” according to the judge. While it showed “nothing remarkable,” it was taken in a hotel bedroom and was therefore in principle protectable.

The newspaper argued that Mr. Ferdinand no longer had any reasonable expectation of privacy because he had discussed his private life extensively in media interviews and the newspapers had also frequently published details of his other alleged affairs. That was rejected by the judge, who also rejected a further argument that Mr. Ferdinand’s recklessness in pursuing the affair meant he could not reasonably expect the courts to step in and protect him.

Balancing Test Applied

Having found for Mr. Ferdinand on the first part of the analysis, the judge then turned to the balancing exercise. He reminded himself that in assessing the public interest he had to apply an “intense focus” on the comparative importance of the two competing rights in the specific context of the particular case.

The judge noted that one aspect of public interest can be the correction of a false image, but such a defense “can only

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begin to succeed if the claimant's image is indeed false and if there is something to be corrected." In *Campbell* the claimant had had to accept that the newspaper was entitled to correct the false image she had presented of herself as someone who had not taken illegal drugs, but she nonetheless won her case on the basis that the newspaper had gone further than it needed to correct that false image by publishing additional details of her attendance at Narcotics Anonymous.

The newspaper argued that Mr. Ferdinand had created a false image of himself as a reformed character and had done so partly in order to boost his career; that this impinged on his professional responsibilities because, as he conceded, he had broken team rules by conducting and attempting to conduct the affair in team hotels; and there was a public debate about the personal conduct and character of the person chosen as England captain (Mr. Ferdinand's predecessor had been dismissed as captain following an alleged affair of his own – as featured in an unsuccessful, and highly publicized, application for an injunction – see [John Terry \("LNS"\) v Persons Unknown](#) [2010] EWHC 119 (QB)).

Mr. Ferdinand contended that he had not lied about his image because he had been talking about his personal life so far as it touched on his professional career, most specifically his missed drugs test and his attendance at late-night parties. He denied that his role as England captain deprived him of the right to a private life. He rejected the comparison with John Terry, who he said had been dismissed as England captain because of an alleged affair with the girlfriend of a team-mate, which was perceived to have had a possible effect on team relationships.

Mr. Ferdinand was scornful of the notion that the newspaper and Ms Storey were pursuing a public interest. He suggested that Ms Storey's receipt of £16,000 from the newspaper was evidence of her real motive. He noted that the paper had waited for almost three months after Mr. Ferdinand's appointment as captain before publishing its story (discrediting the idea that it was contributing to a debate about the captaincy) and there had been almost no reaction to the published story judging from the absence of other media comment.

He also suggested that if the paper had been confident about the public interest in its publication, it would have contacted him in advance of publication, which it had failed to do. Finally, Mr. Ferdinand argued that the details published by the newspaper in any event went far further than

was necessary to correct any allegedly false image.

The judge held that there was a public interest in the article. He noted that the interview Mr. Ferdinand had given to the *News of the World* in 2006 had been the result of a deliberate choice by Mr. Ferdinand, acting on the advice of his publicity agent, to portray himself as a family man who had reformed himself from the "wild" character he used to be. That image had been further promoted in his autobiography and other media articles.

The judge also held that Mr. Ferdinand's appointment as England captain was a further factor in the consideration of whether there existed a public interest in the article:

"The Claimant voluntarily assumed the role of England captain. It was a job that carried with it an expectation of high standards. In the views of many the captain was expected to maintain those standards off, as well as on, the pitch. By way of example, in 2008, Brian Barwick, the Chief Executive of the Football Association said,

'one of the most important early decisions [Fabio Capello] will have to take will be to decide who is going to be his captain. ... There isn't the degree of importance laid at the door of captains of other countries, but Fabio is aware of the importance of this decision...the captaincy, currently held by John Terry, is a very significant part of the English sporting and social fabric... England players are special players. And that carries with it an extra weight of expectancy and responsibility ... If you are an England player you are living out the dreams of thousands and thousands of kids and millions of people. And while you don't want that weight of moral expectation weighing too heavily on anybody's shoulders, it is part of your responsibility. They have to accept that off the field they are role models.'"

At a press briefing on 26th February 2010 Fabio Capello said why he had taken the

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captaincy away from John Terry,

“It was not good because I always asked that the Captain is an example for the young, the children, for the fans. It was not good. This is the reason and I told him this...The England shirt is very important and for me this will be one of the most important points we speak about... part of that is to talk about how important it is to behave well when you are representing England.”

The judge noted that it was not a universal view that the only aspect of a football captain’s private life that might be of public interest was behavior that affected his performance on the pitch.

While John Terry’s behavior might have so affected his performance, he noted that others had expressed the view that an England captain’s personal qualities should be viewed in a broader context.

He noted an article on *Mail Online* in February 2010. That article was published under the headline “Boozer, love cheat and drug-test dodger. Meet the NEW England captain Rio Ferdinand.” The story began,

“England’s new football captain Rio Ferdinand hardly represents a return to the Corinthian ideals; an eight month ban for missing a drugs test in 2003 will forever blight his record. Perhaps the most persuasive argument to the Manchester United defender’s promotion is that he has belatedly matured, to become the least worst of potential Terry replacements.”

The article concluded:

“His home life is settled, it seems. Last year he married his long-time girlfriend and mother of his two children, Rebecca Ellison, in a ceremony which was not sold to a celebrity magazine. Miss Ellison had shown considerable forbearance in previous years as the footballer was linked

with a number of models, including the then ubiquitous Abi Titmuss. Now aged 31 and articulate in interview, Ferdinand seems to have put his wilder days behind him. Time will tell.”

The judge was not persuaded that the gap of almost three months between Mr. Ferdinand’s appointment as captain and the published article was indicative of a lack of public interest as the personal suitability of the England captain was a matter which “seemed to have perennial interest” and was not restricted just to the time of his appointment.

The judge also dismissed the alleged importance of the limited public reaction to the story on the ground that liability has to be established at the time of publication, not by reference to the extent of the debate that may be generated later.

The details of the relationship were not, in the judge’s view, excessive. The paper was entitled to put the matter in context. The photograph was not an unacceptable intrusion. The couple were clothed and not engaging with one another. Mr. Ferdinand was shown speaking on a mobile phone. It was an “unexceptionable” picture that could have caused none of the additional harm that was referred to in *Campbell* and none of the embarrassment that a picture of sexual activity may cause.

Finally, the judge said Mr. Ferdinand’s reliance on the absence of notice was a “red herring.” Mr. Ferdinand had suggested this betrayed a lack of confidence in the public interest of the publication.

The judge said the argument was unhelpful. First, it was speculation, there being no evidence about what the editor thought. Second, it was immaterial what he thought anyway as it was up to the judge to make an objective assessment of the public interest at the time of publication.

Mr. Ferdinand is seeking permission to appeal. If he gets permission to appeal, his appeal is likely to focus on his arguments that (a) there was no false image to correct and (b) his role as England captain did not justify any infringement of his private life. A decision on permission to appeal is likely to be made in the next few weeks.

Keith Mathieson is a partner at Reynolds Porter Chamberlain in London. Reynolds Porter Chamberlain represented Mirror Group Newspapers together with Gavin Millar QC of Doughty Street Chambers. Rio Ferdinand was represented by Hugh Tomlinson QC and solicitors Simons Muirhead Burton.

Delayed Libel Claim Struck Out as Abuse of Process

By Niri Shan and Mark Dennis

Can a UK libel claim be struck out because of delays by the Claimant in moving the action forward? Yes, according to the High Court in the recent decision in [Adelson v. Anderson](#) [2011] EWHC 2497 (QB).

This judgment gives a useful insight into the circumstances in which the UK court may be willing to use its case management powers to strike out a claim as an abuse of process. A secondary issue was whether the potential unenforceability of the damages award (in this case, because the defendants resided in the US) could be a reason for striking out the claim. As such, the judge considered interesting issues relating to the similarities and differences between UK and US defamation law.

Facts

The Claimants were Sheldon Adelson and his Las Vegas Sands Corporation, a Las Vegas corporate group which runs and develops resorts incorporating entertainment facilities such as casinos. The Defendants were Unite Here!, a US labor union operating in Las Vegas (amongst other places), and its International Affairs Coordinator, Debbie Anderson. The claim related to allegations made about the Claimants in September 2004 at a meeting at the UK Labour Party Conference which was attended by about 100 people.

The Claimants issued a Claim Form on 26 September 2005 and served it six months later in March 2006, seeking damages and an injunction. The Defendants defended the claim on the basis of qualified privilege, fair comment and justification. A trial was scheduled for October 2007.

Meanwhile, Mr. Adelson commenced a separate legal action against Associated Newspapers over similar allegations published in the *Daily Mail*. In view of this, the trial was adjourned to allow the Associated Newspapers action to go first, and it was contemplated that this action

would be tried in January 2009. The action against Associated Newspapers was settled in March 2008, with the settlement terms including a Statement in Open Court.

In July 2008, the solicitors then acting for the Claimants telephoned the Defendants' solicitors to say that their clients wanted to get on with the case, but nothing further was said or done at that time. Between October 2008 and March 2011, various without prejudice letters were exchanged and there was an attempt at mediation in March 2011. Later in March 2011 (i.e. three years after the Associated Newspapers action was settled), the Claimants sought to revive the claim by proposing a revised pre-trial timetable to the Defendants.

In June 2011 the Defendants applied for the claim to be struck out as an abuse of process. They submitted that the two periods of delay – namely, the 15 or so months between the publication complained of in September 2004 and the letter before action in January 2006, and the three years between March 2008 and March 2011 – were inexcusable and gave rise to the inference that Mr. Adelson had lost interest in pursuing the proceedings to trial. They argued that the action would

serve no useful purpose. They also argued that any award of damages would be unenforceable in the US and that this was a relevant consideration.

Delay

Mr. Justice Tugendhat found for the Defendants and struck out the claim as an abuse of process on the basis (primarily) of the delays. In reaching his decision, he considered whether there were any good explanations for the delays, the gravity of the alleged libel, and the inferences that could accordingly be drawn.

In terms of the reasons for the delays, the judge noted that Mr. Adelson had not provided any good explanations for them. Mr. Adelson had, for example, been unable to recall

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Can a UK libel claim be struck out because of delays by the Claimant in moving the action forward? Yes, according to the High Court in the recent decision in *Adelson v. Anderson*

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why it took over 15 months to send the letter before action.

On the gravity of the alleged libel, the judge noted that the allegations complained of related to Mr. Adelson's way of doing business. While the allegations might be important to him as a businessman, the judge considered that they did not “rank amongst the most serious libels.”

Further, a reasonable reader of the words complained of reading them in 2011, or in the future, would consider Mr. Adelson's activities since September 2004. It was significant that there was no suggestion that any of the words complained of had been repeated since 2005. As such, the reasonable reader would understand that less weight should be given to them than if the allegations had been made recently. Further, the Statement in Open Court from Associated Newspapers would be available to anyone who searched for archived information about Mr. Adelson.

From the initial delay in bringing proceedings, the judge inferred that Mr. Adelson did not regard the allegations as particularly grave in 2004 and 2005. This may have been because he had made his own attempts to vindicate his reputation by publishing his side of the story. While Mr. Adelson may at some point have intended to pursue the action to trial, Tugendhat J was willing to infer that he had ceased to have that intention after the settlement of the Associated Newspapers action in March 2008.

As such, it was held that the reputational interests at stake were not proportionate to the time and cost of resolving the matter at trial, and the claim was struck out as an abuse of process.

Enforceability of English Judgments

The judge, however, rejected the Defendants' submission that it was relevant that any award of damages would be unenforceable in the US where the Defendants were resident. Tugendhat J reached this view for two main reasons. First, he commented that he was unable to reach a view as to whether a UK judgment would or would not be enforceable in the US on the evidence provided by the Defendants. This evidence amounted to an apparently brief witness statement from their UK lawyer which referred to advice received from an American lawyer. No expert report, for example, was filed on the issue.

Secondly, and in any event, the judge noted that judgments are commonly given by English courts even where there is little expectation of recovery of money from the defendant (e.g. because the judgment would make the defendant bankrupt). As such, damages awards should reflect the vindication required for the claimant (amongst other things), and not the extent to which any such judgment may be enforceable against the defendant.

In reaching this decision, Tugendhat J gave some interesting consideration to similarities and differences between UK and US defamation law. The witness statement made on behalf of the Defendants referred to the enactment, in August 2010, of the Securing the Protection of our Enduring and Established Constitutional Heritage Act. The Defendants submitted, in essence, that this Act means that foreign defamation judgments are “unenforceable in the United States unless it can be shown that such judgments satisfy the freedom of speech and press protections guaranteed by both the United States and the state constitutions in which the domestic court is located.”

In considering the differences between the UK and US positions, the judge noted, for example, that English law does not give a greater degree of protection to freedom of speech where the claimant is a public figure. This differs to the approach that the US Supreme Court took in *New York Times v Sullivan* (1964).

The judge also considered the general presumption of falsity under English law, which means that the burden of proving truth is placed on defendants. In this regard, he noted that claimants in the UK generally choose to assume the burden of proving falsity anyway, as otherwise they would not be entitled to a declaration of falsity under the Defamation Act 1996 and would be unlikely to be awarded substantial damages or an injunction.

Similarly, the judge noted that claimants commonly assume the burden of proving malice, even where they are not required to do so. He commented that the witness statement given on behalf of the Defendants did not explain how the US legislation would apply to a case in which the English court has found that the claimant has proved falsity and malice to the same standard as he would have been required to do if he had sued a public figure in the US.

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Tugendhat J also considered the differing levels of damages awards in the UK and US. He noted that it is a matter of common knowledge that, for public policy reasons, the two jurisdictions have different views on the proper level of damages for torts, which is one reason why the UK has no treaty with the US for the reciprocal enforcement of tort judgments.

Comment

This case shows that, as in *Jameel v Dow Jones* and *Williams v MGN*, the court is willing to use its case management powers to strike out a claim where the time and costs in pursuing the claim to trial would not be proportionate to the vindication sought.

The case is a salutary reminder to libel claimants that, once they have started an action, they need to ensure that they keep it moving forward or else run the risk of the claim being struck out. In this case, the judge was particularly influenced by the fact that Mr. Adelson was unable to provide a convincing explanation for the delays. If he had been able to give a good explanation, this may have led to a different result.

It is notable that undue delay was not the only reason for the decision. The judge was also influenced, for example, by the fact that the allegations were not of the most serious type, that they had not been repeated in the years since original publication, and that Mr. Adelson had made his own attempts to vindicate his reputation. A defendant seeking to strike out a claim for significant delays should consider whether such factors apply in their case, as they may help with convincing the court that there is no real and substantial tort worth pursuing to trial.

The case also clarifies that, even if the damages awarded may ultimately be unenforceable against the defendant, for example because the defendant resides in a different jurisdiction where the judgment would not be enforceable, this is not in itself a justification for striking out the claim.

Niri Shan and Mark Dennis are media lawyers at Taylor Wessing LLP in London. Claimant was represented by Andrew Caldecott QC and David Sherborne (instructed by Harbottle & Lewis LLP). Defendants were represented by Heather Rogers QC (instructed by Simons Muirhead & Burton).



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Another Adwords Judgment from the European Court of Justice

By Rogier Overbeek

On 22 September 2011, the European Court of Justice once again rendered a judgment about the use of Google AdWords consisting of a competitor's trademark. [*Interflora v. Marks & Spencer*](#).

The Facts

This case concerns proceedings between Interflora, a flower delivery network and proprietor of the well-known INTERFLORA trademark, and the British department store Marks & Spencer (M&S). M&S, which also sells and delivers flowers but does not belong to the Interflora network, had 'purchased' various "Interflora" AdWords from Google. Consequently, after entering the search term "Interflora" and related terms on the Google website, an advertisement of M&S appeared at the top or on the right side of the search results under the heading 'Sponsored links.' According to Interflora this constituted a trademark infringement, and therefore it started proceedings against M&S in England. Subsequently, the English Court posed various preliminary questions to the European Court of Justice ("ECJ") about this infringement issue.

The Existing Case Law of the ECJ on AdWords

In the Google France case and four subsequent AdWord judgments the ECJ already decided that the use of another party's trademark or similar sign as AdWord to advertise one's own identical or similar products, (only) constitutes a trademark infringement – on the basis of the so-called (a) and (b) causes of infringement – if the advertisement:

does not enable the average internet users, or enables them only with difficulty, to ascertain whether the goods or services

referred to by the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party.

The Judgment of the ECJ in the Interflora Case

In the Interflora case the ECJ has confirmed the above-mentioned case law. However, with respect to the (a) cause (use of another person's trademark for identical products) it still adds to this that there is also infringement if the use of the AdWord has an adverse influence on the competitive trademark's investment function. The ECJ understands this investment function as the use of the trademark proprietor:

to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.

In other words: if the use of another party's trademark as AdWord for identical products is detrimental to the goodwill of the competing trademark, there is (still) trademark infringement. When exactly this is the case does not become very clear.

The ECJ has only observed that for the assumption of detriment to the investment function it is not sufficient that:

the trademark proprietor must increase his efforts to acquire or maintain the goodwill of his trademark; or some consumers may switch to the competitor's products.

The reference by the ECJ to the investment function within the framework of the (a) cause is similar to the (c) cause of infringement. Only the proprietor of a trademark with a reputation may rely on the latter ground, when unfair

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If the use of another party's trademark as AdWord for identical products is detrimental to the goodwill of the competing trademark, there is trademark infringement. When exactly this is the case does not become very clear.

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advantage is taken of or detriment is caused to the distinctive character or repute of the trademark with a reputation. In the *Interflora* judgment the ECJ uses this (c) cause for the first time in the AdWords issue.

The ECJ starts with the obvious remark that the proprietor of a trademark with a reputation may take action against the use of his trademark as AdWord if (one of) the (c) conditions mentioned (take advantage of; detriment to....) have been met. According to the ECJ this is the case, for instance, if the trademark with a reputation is at risk of becoming a generic name. On the other hand, the ECJ has ruled that the proprietor of a trademark with a reputation cannot take action if a third party uses that trademark as an AdWord to offer the internet user an alternative for the products of the trademark proprietor. However, there is a *proviso*, namely that AdWords may not be used for counterfeit products, may not be detrimental to the distinctive character or the repute of the trademark with a reputation, and may not adversely affect the functions thereof.

Conclusion

Also in the field of AdWords the case law of the ECJ does

not seem to make things much easier. What is and remains clear is that the use of another party's trademark as an AdWord does not automatically constitute a trademark infringement.

At first sight, the infringement threshold even seems to be high: the advertisement may only not be misleading or confusing with regard to the origin, and even trademarks with a reputation may be selected as AdWords by third parties in order to offer an alternative for the well-known trademark products. However, possible detriment to the investment function of a trademark is lurking in the corner, while the ECJ has given the trademark proprietors the necessary sticks to beat the Adword user.

We will have to wait and see how the lower courts will apply the 'guidelines' of the ECJ, starting with the English court in the case between *Interflora* and *Marks & Spencer*. There is also the issue of how all this relates to the comparative advertising rules. The Court of The Hague in preliminary relief proceedings already ruled in the [Tempur cases](#) on AdWords in a comparative-advertising legal framework, but undoubtedly the final word on this issue has not been heard yet.

Rogier Overbeek is a lawyer with Kennedy Van der Laan in Amsterdam, Netherlands.

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Dutch Gangster Asks for Injunction Against Movie on Kidnapping of Tycoon Alfred Heineken

By Jens van den Brink & Emiel Jurjens

On Oct. 28, 2011, the Court of First Instance in Amsterdam delivered its full judgment in the case of *Willem Holleeder v. IDTV*. The judgment contains important guidelines for makers of historical movies (or other works of art) that mix fact and fiction. The court also confirms the principles laid down in the recent ECHR Mosley ruling.

The facts

In 1983, beer tycoon Freddy Heineken and his chauffeur Doderer were kidnapped by a group of five men, among whom the claimant in this case, Willem Holleeder. After having been locked for three weeks in two damp cells, without heating and chained to the wall, Heineken and Doderer were freed by the police. The kidnappers escaped with EURO 13.6 million ransom money, but were eventually caught and convicted. These dramatic events are the basis of the movie “De Heineken Ontvoering” (The Heineken Kidnapping), starring Rutger Hauer as Alfred Heineken and produced by IDTV, which was planned for release on Oct. 27, 2011 in The Netherlands.

The movie does not claim to be a reconstruction of what happened. A disclaimer appears before the start of the actual movie, which reads (translation authors):

This movie is a cinematographic interpretation of the 1983 kidnapping of Alfred Heineken and does not aim to document what actually happened. Facts are mixed with fiction. The characters that appear in this movie are also to a large extent based on fiction.

Holleeder is not, in fact, a named character in the movie. In the group of kidnappers in the movie, a character called “Rem Hubrechts” appears. His character development in the movie is based on elements of Holleeder and one of the other kidnappers, sprinkled with a liberal dose of fiction. Willem Holleeder, dubbed “The Nose” in Dutch media, did not just become a public figure through the kidnapping, for which he was sentenced to 11 years in 1986. He is currently serving a

new nine-year sentence in an unrelated extortion case and is generally seen as the most infamous criminal in The Netherlands.

Holleeder started summary proceedings against IDTV, the producer of the movie, from his cell in the high-security prison. He asked for an injunction banning the release of the movie and, alternatively, demanded a private pre-screening of the movie to enable him to check it for ‘harmful content’. He based his claims on a violation of the right to privacy (art. 8 ECHR) and a violation of his image rights. The latter because the character ‘Rem’ is (partly) modeled after him in terms of his actions, but also because the actor who plays Rem and Holleeder look alike physically.

Artistic freedom v. right to privacy

The Court first establishes that both parties agree the public may associate Rem with Holleeder. The Court considers that Holleeder’s demands infringe on the right to freedom of expression (art. 10 ECHR), which encompasses the right to artistic expression. Also, his demand for a pre-screening encroaches on the prohibition of censorship, as enshrined in the Dutch Constitution. In effect, the Court finds Holleeder’s demands would amount to censorship.

The right to privacy may limit the right to free speech. However, as the European Court of Human Rights determined, the right to privacy does not encompass a right to prior notification of content that may harm someone’s privacy (ECHR 10 May 2011, 48009/08, *Mosley v. UK*). Whether or not an expression is lawful can in principle be determined only *after* publication.

With respect to the Heineken movie, the Court finds no facts or circumstances which would result in an exception to this principle. At the hearing, counsel acting for Holleeder had highlighted several scenes in the movie which Holleeder considered defamatory. They had not yet seen the movie (it was only shown to limited audiences before its nationwide opening) but had come across these scenes in the trailer and in a script of the movie which, as the Court formulates it, “counsel for Holleeder found on her desk” (par 3.2).

The Court concludes that on the basis of what is known so

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far of the contents of the movie, the movie is not unlawful to the extent that it would justify encroaching on the freedom of expression and the prohibition of censorship. The Heineken kidnapping was a major event in Dutch history and shocked Dutch society. Art. 10 ECHR protects the public interest which is served by making a movie about the kidnapping. The fact that Holleeder participated in the kidnapping ensures that any movie about it will somehow be connected to him. That does not make such a movie unlawful.

The core consideration of the court is as follows:

The maker of a movie about a historical event is, in principle, free to add new, fictitious elements to his depiction of this event. He is also free to use actors who show a certain likeness to persons who were actually involved in the event depicted in the movie. (...) This freedom, however, is limited by the interest of someone who was involved in the actual event to not be linked with such fictitious elements.”

With respect to the Heineken movie, the Court finds that the boundaries of the freedom of expression were not crossed.

IDTV made sufficiently clear that the movie is a mix of fact and fiction.

Image rights

Holleeder also argued that the film makers violated his

image rights. On this ground, he demanded a complete stop on the use of his ‘image’ (i.e. the image of the actor playing the fictitious character ‘Rem’) in the movie as well as in advertisements for and on the website of the movie. The Court finds that it will be clear to the movie-going public that the person behind the character Rem is actually an actor, and not mr. Holleeder. This is especially so given the fact that the events in question occurred almost 20 years ago and that it is not unusual for actors in movies based on historical events to show similarities to the persons they are modeled after. The character Rem, as a result, is not a portrait of Holleeder.

Conclusion

The movie was released on October 27 as planned, as the Court had already rendered a dressed down version of its judgment on Oct. 21. As is common in urgent cases, the motivation of the judge followed a week later. The judgment is good news for filmmakers who aim to make a historical or biographical movie: they are given considerable leeway to add fictional elements and do not have to seek explicit approval of the people they want to depict before the movie is released.

The court appreciated the strong chilling effect that would occur if prior notification would be imposed, especially in case a crime is depicted. Obviously film makers will think again if basing a film on a true crime would force them to ask for the input of the criminals.

Jens van den Brink & Emiel Jurjens are attorneys at Kennedy Van der Laan, Amsterdam. Co-author Jens van den Brink (Kennedy Van der Laan) acted on behalf of movie producer IDTV.



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Constitutional Protection for False Statements of Fact?

Supreme Grants Cert. to Review the Stolen Valor Act

By Tom Clyde

The United States Supreme Court has accepted certiorari in a case that will likely require the Court to decide what, if any, constitutional protection is afforded to speech that is knowingly false.

As several commentators predicted, the U.S. Supreme Court issued a writ of certiorari in late October to review the Ninth Circuit's decision that struck down the Stolen Valor Act. [*United States v. Alvarez*, 638 F.3d 666 \(9th Cir. 2011\)](#), cert. granted, No. 11-210 (Oct. 17, 2011).

Although the case arises from a federal criminal prosecution, the Ninth Circuit arrived at its decision by examining the constitutional value that is afforded to false speech in such familiar cases as *Sullivan*, *Gertz* and *Hepps*.

There is a strong possibility that the Supreme Court's decision in *Alvarez*, which is expected by next summer, will refine the Court's past jurisprudence exploring the importance of protecting false speech to create the "breathing space" needed for other expression.

Constitutional Value of Knowing Falsehoods?

In 2007, Xavier Alvarez was an official on his regional water district board of directors who had a "hobby" of telling outrageous – and untrue – tales about himself. At a meeting with a neighboring district water board, Alvarez introduced himself by stating that he was a "retired marine of 25 years" and that "back in 1987 I was awarded the Congressional Medal of Honor."

In fact, these statements were, in the words of the Court, "a series of bizarre lies." Alvarez had never been in the military and the accolade he awarded himself was the nation's most prestigious military decoration.

Alvarez was indicted and thereafter pled guilty to a violation of the Stolen Valor Act, [18 U.S.C. § 704\(b\)](#), which makes it a crime for a person to "falsely represent[] himself or herself" as having "been awarded any decoration or medal

authorized by Congress for the Armed Forces of the United States . . ." In entering his plea, Alvarez reserved his right to appeal on First Amendment grounds.

On appeal, a divided panel reversed Alvarez's conviction and struck down the Act. Judges Thomas G. Nelson and Milan D. Smith, Jr., found that the speech criminalized by the Act was not "sufficiently proscribed to fit among the narrow categories of false speech previously held to be beyond the First Amendment's protective sweep." Applying strict scrutiny, the majority found that the Act was not narrowly tailored.

Judge Jay S. Bybee, however, dissented, arguing that a litany of Supreme Court decisions had stated in various linguistic formulations that false statements of fact have "no constitutional value," so are unworthy of strict scrutiny.

Under a less demanding scrutiny, Judge Bybee asserted that the Stolen Valor Act was not unconstitutionally overbroad.

In response to a petition rehearing en banc, additional Ninth Circuit judges joined the constitutional debate. Most notably, Chief Judge Alex Kozinski made rhetorical points in his separate opinion concurring in the denial of rehearing en banc by asserting that upholding the law

would mean even "the white lies, exaggerations and deceptions that are an integral part of human intercourse would become targets of censorship, subject only to the rubber stamp known as "rational basis." Judge Kozinski elaborated with every day examples: "Saints may always tell the truth, but for mortals living means lying. We lie to protect our privacy ("No, I don't live around here"); to avoid hurt feelings ("Friday is my study night"); to make others feel better ("Gee you've gotten skinny"); to avoid recriminations ("I only lost \$10 at poker") . . . to get a clerkship ("You're the greatest living jurist"); to save a dollar ("I gave at the office"); or to maintain innocence ("There are eight tiny reindeer on the rooftop")."

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Judge Kozinski elaborated with every day examples: "Saints may always tell the truth, but for mortals living means lying."

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Directions the Supreme Court Could Take

In deciding the case, there are a number of directions that the Supreme Court could take. Professor Eugene Volokh of UCLA School of Law has [examined a variety of permutations](#).

For example, the Court could conclude knowingly false speech lacks any constitutional value and, as such, could find the Stolen Valor Act as a defensible law under the rational basis test. There is rhetorical support for this in several cases, including *Gertz*. See *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 340 (1974) (“[T]here is no constitutional value in false statements of fact.”).

Alternatively, the court could strike down the law under a strict scrutiny analysis on the grounds that knowingly false speech does not fit within the small group of historically established exceptions to First Amendment protection for speech. The Court relied heavily on this list of historical exceptions in striking down a law punishing “crush” videos in *United States v. Stevens*, 130 S. Ct. 1577 (2010) (“Our Constitution forecloses any attempt to revise [the historical exceptions] simply on the basis that some speech is not worth it.”)

Professor Volokh suggests that there is a possible middle course that would uphold the law and coherently tie together the Court’s protection of knowing falsehoods in some

contexts (seditious libel), but not others (perjury, fraud, defamation). This would be to permit review of a law restricting speech under a rational basis test if the punishment of that speech would not itself create an unacceptable risk of deterring debate on matters of public concern.

Implications for State Laws Banning Knowing Lies in Elections

Alvarez has the potential to influence a brewing debate on state statutes that have been enacted to restrict political advertising that contain knowingly false statements of fact.

In the past five years, the Eighth Circuit and the Washington Supreme Court have each upheld challenges to such laws on the grounds that they strike too deeply into core political speech. See *281 Care Committee v. Arneson*, 638 F.3d 621 (8th Cir. April 28, 2011); *Rickert v. State Public Disclosure Comm’n*, 161 Wash.2d 843 (Wash. 2007).

If the Supreme Court gives greater latitude to punishing knowing falsehoods in *Alvarez*, such state laws restricting political advertising may gain a new legal foothold. In an environment where voters are increasingly frustrated with the tenor of political discourse, enacting laws requiring that politicians speak “the truth” may be a popular, albeit constitutionally dangerous, political direction for local legislatures.

Tom Clyde is a partner with Dow Lohnes PLLC in Atlanta.

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Doe Defendant's Right to Speak Anonymously Trumps Copyright Plaintiff's Desire to Discover His Identity

Court Holds Plaintiff to a Rigorous "Balancing of Harms" Test

By Joshua Koltun

Procedural Background

In a recent decision, the Hon. Lucy Koh of the Northern District of California, set a stringent standard for plaintiffs to meet before they can obtain the identity of an anonymous blogger who had been speaking about an issue of public interest. [*Art of Living Foundation v. Does*](#), 2011 US Dist Lexis 129836 (N.D. Cal. Nov. 9, 2011). Plaintiff, the American chapter of an international organization, had sued a number of anonymous speakers who had characterized the organization as a cult. Defamation claims were dismissed before the motion to quash was heard, however, so the issue of anonymity arose with respect to a claim of copyright infringement only.

Significantly, the Court assumed, without deciding, that the Plaintiff had presented a *prima facie* case of copyright infringement but nevertheless ruled that plaintiffs had failed to show a need to discover the Doe Defendant's identity, at least at this juncture in the litigation. The Court ruled that the Defendant's posting of the copyrighted document had constituted speech on an issue of public interest, and thus the speaker's anonymity warranted significant First Amendment protection. Because the Defendant had appeared through counsel and made himself available, at least to some extent, to respond to discovery, Plaintiffs had failed to show that the harm of stripping the Doe Defendant of his anonymity was outweighed by any immediate need to know his identity.

Thus the case points to new strategies in defending anonymous speakers. The decision suggests that the right to anonymity might develop in ways that may complement the Reporter's Privilege.

"Disclosure of Skywalker's identity here could discourage other bloggers from engaging in lawful, critical speech," and therefore the Court must apply the most stringent standard before stripping Skywalker of his anonymity.

The Art of Living Foundation (AOLF) is an international "educational and humanitarian" organization, headquartered in India, dedicated to promoting the teachings of "His Holiness Ravi Shankar" (no relation to the musician). Plaintiff Art of Living Foundation (AOLFUS), a California corporation, is the American chapter of the international organization. Defendants "Klim" and "Skywalker" are allegedly "disgruntled former student-teachers and students of Plaintiff" who operate two blogs ("Blogs") that provide a forum for criticism of Plaintiff, AOLF, and Shankar. The general tenor of the postings on these blogs is that AOLF is a cult and Shankar a charlatan.

In November 2010, AOLFUS filed a Doe complaint alleging defamation, trade libel, misappropriation of trade secrets and copyright infringement arising from various postings on the Blogs. Plaintiff cited numerous allegedly false disparaging remarks about Plaintiff, AOLF, and Shankar. Plaintiff also cited the posting of a number of AOLF documents, which Plaintiff contended contained AOLF trade secrets. The copyright infringement action stemmed from the posting of a document called the *Breath Water Sound Manual* ("BWSM"), as to which AOLFUS applied for U.S. copyright registration shortly before filing the lawsuit.

Because the postings were anonymous, Plaintiff also sought leave to take expedited discovery for the purpose of identifying and serving process on Defendants. In December 2010, Magistrate Judge Laurel Beeler granted the request, and Plaintiff subpoenaed Google and Automattic, Inc., which host Blogger and Wordpress respectively, the software platforms used by the two Blogs.

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In January 2011, before Google or Automattic had responded to the subpoenas, Defendants Klim and Skywalker (the creators of the two Blogs) specially appeared through counsel. They moved (i) to dismiss the defamation and trade libel claims (ii) to strike those claims and the trade secret claim under California's anti-SLAPP provision, and (iii) to quash the order allowing discovery of Google and Automattic.

Skywalker and Klim contended that they had standing to assert the First Amendment rights of the various (unknown) Doe Defendants other than themselves who had posted some of the comments at issue on the defamation claims. Skywalker admitted that he (but not Klim or any of the other Doe defendants) had posted the BWSM and the allegedly trade secret documents on his Blog. Skywalker argued that his posting of these documents to “debunk the notion that Ravi Shankar is an enlightened being in possession of mystical ‘secret knowledge.’” In other words, the alleged infringement / misappropriation was part of his larger argument that AOL is a cult and Shankar a charlatan.

On the motion to quash, Defendants argued that permitting discovery of their identities would violate their First Amendment right to speak anonymously. They argued that Plaintiff's claims had been manufactured solely for the purpose of identifying them, and were part of an effort to chill them from freely expressing their criticisms of Shankar and the organizations that surround him. They argued that Plaintiffs had not shown any “evidentiary basis” for believing that Defendants had “engaged in wrongful conduct that has caused real harm to the interests of [Plaintiff].”

In June, 2011, while the motion to quash was still pending before a magistrate judge, the District Court dismissed the defamation and trade libel claims, on the grounds that the statements at issue were “constitutionally protected opinions.” (2011 U.S. Dist. LEXIS 63507). The Court denied the motion to strike the trade secret claim, but did so without prejudice. At the same time, however, the Court ruled that Plaintiff had failed to identify the trade secret with

particularity, and applying California Code of Civil Procedure section 2019.210, stayed Plaintiff from obtaining discovery as to the trade secret claim. Plaintiff later filed a First Amended Complaint that alleged only trade secret and copyright causes of action. Because of the Court's stay of discovery on the trade secret claim, the motion to quash was effectively determined with respect to the copyright claim alone.

In August, 2011, Magistrate Judge Harold Lloyd denied the motion to Quash as to Skywalker, but granted it as to Klim. (2011 U.S. Dist. LEXIS 129836). Judge Lloyd purported to apply the test stated in *Sony Music Entm't Inc. v. Does I-40*, 326 F.Supp.2d 556 (SDNY 2004). Applying the factors of that test, Judge Lloyd concluded that (1) Plaintiff had alleged a *prima facie* case of copyright infringement because Skywalker had admitted posting the BWSM, (2) the

subpoenas were targeted to obtain information to identify Skywalker, (3) Plaintiff had no other means to obtain Skywalker's identity, (4) without having Skywalker's identity, it would be prohibitively difficult for Plaintiff to conduct discovery, and (5) even if Skywalker had engaged in protected speech, he had not expectation of privacy because “the First Amendment does not shield copyright infringement” (citing *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 555-56 (1985)). Skywalker moved the District Court for relief, and amici curiae Public Citizen, the American Civil Liberties Union and Electronic Frontier Foundation filed a brief supporting Skywalker's position.

“This case appears to be unique among the relevant body of case law in that Skywalker has not only appeared through counsel and filed numerous dispositive motions, but also propounded and responded to interrogatories and requests for production. Skywalker's engagement in the litigation, albeit under a pseudonym, diminishes Plaintiff's need to obtain his true name at this time.”

Court Determines Most Stringent Standard Applies

The District Court reasoned that since the case involved the application of constitutional standards to particular facts, and thus the Magistrate Judge's ruling was to be reviewed under a *de novo* standard.

The Court then began its analysis by noting that “the many federal district and state courts that have dealt with this issue have employed a variety of standards to benchmark

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whether an anonymous speaker's identity should be revealed." (citing *In re Anonymous Online Speakers*, 2011 WL 61635, at * 5. At the less stringent end of the spectrum, some courts have accepted a "legitimate, good faith basis" for the plaintiff's allegations, see *In re Subpoena Duces Tecum to America Online, Inc.*, No. 40570, 2000 WL 1210372, at *8 (Va. Cir. Ct. Jan. 31, 2000), *rev'd on other grounds by America Online, Inc. v. Anonymous Publicly Traded Co.*, 261 Va. 350 (Va. 2001). Other courts have announced a more exacting standard in which plaintiff must produce admissible evidence establishing each essential element of a claim. See, e.g., *John Doe 1 v. Cahill*, 884 A.2d 451, (Del. 2005).

At the most exacting end of the spectrum, Courts have announced a standard whereby (in addition to making a *prima facie* showing) the court also must balance "the magnitude of the harms that would be caused to the competing interests by a ruling in favor of plaintiff and by a ruling in favor of defendant." *Highfields Capital Mgmt LP v Doe*, 385 F. Supp. 2d 969, 980 (N.D. Cal.2005); *Dendrite v.Intern. Inc. v. Doe No. 3*, 775 A.2d 756, 760 (NJ Super. 2001). The Court noted that this most stringent test resembles the preliminary injunction inquiry, "requir[ing] the court to 'balance the competing claims of injury and ... consider the effect on each party of granting or withholding the requested relief.'" *Winter v. Natural Resources Defence Council, Inc.* 555 U.S. 7, 24 (2008).

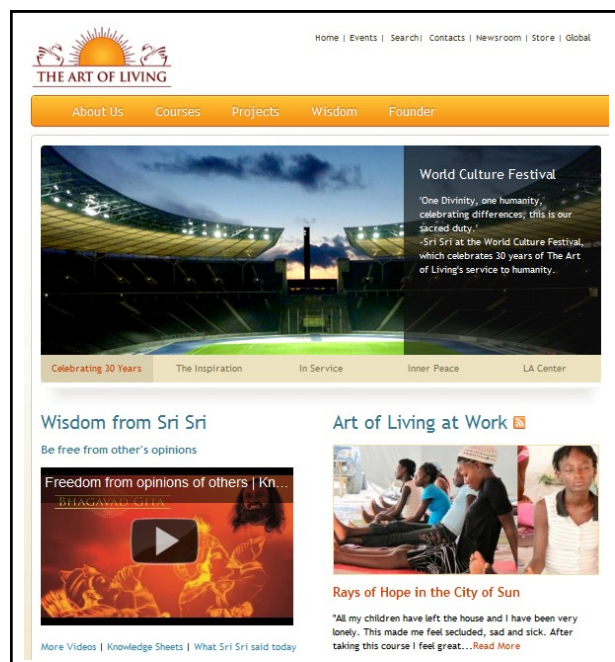
The court reasoned that in choosing the proper standard to apply, "the court should focus on the 'nature' of the speech conducted by the defendant, rather than the cause of action alleged by the plaintiff." *In re Anonymous Online Speakers*, 2011 WL 61635 at * 6. The Court rejected the argument by Plaintiff that cases such as *Sony Music*, which involved the downloading of copyrighted music, were controlling. The Court noted that in that case the court had found that a person illegally downloading speech is "not seeking to communicate

a thought or convey an idea. Instead the individual's real purpose is to obtain music for free."

By contrast, the Court found that Skywalker's speech "raises substantial First Amendment concerns." The Court noted that in its previous opinion it had found that Skywalker's criticisms were constitutionally protected opinion, and that his contention that AOL is a cult and a sham were "speech on a public issue," and that his posting of the BWSM had been part of this "larger effort to debunk the notion that the Art of Living Foundation and Ravi Shankar possess some 'secret higher knowledge.'" The Court rejected the argument that "evidence of copyright infringement ...automatically remove[s] the speech at issue from the scope of First Amendment protection," noting, for example, that the doctrine of fair use constitutes a built-in First Amendment accommodation.

Significantly, the Court expressly declined to rule on the merits of the fair use defense, which is pending before the Court on a motion for summary judgment. The Court ruled that for purposes of the determining the motion to quash, it was sufficient that "the circumstances here create a substantial question as to whether the doctrine applies."

Noting that there is a "paucity of appellate precedent" on this issue (citing *In re Anonymous Online Speakers*), the Court determined that under the circumstances, the most stringent standard of *Highfields* applied to the dispute. The Court cited *Perry v. Schwarzenegger*, 591 F.3d 1147 (9th Cir. 2010), which involved the First Amendment right of association, as suggesting that "where substantial First Amendment concerns are at stake, courts should determine whether a discovery request is likely to result in chilling protected activity." The Court reasoned that "disclosure of Skywalker's identity here could discourage other bloggers from engaging in lawful, critical speech," and thus that "the *Highfields/Perry* analysis



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is more likely than *Sony Music* to focus the Court on striking the proper balance between competing interests.”

Rigorous Application of the Balancing of Harms Test

What distinguishes the *Art of Living* decision is the Court’s rigorous application of the balancing of harms test. Although the Court correctly noted that there are several decisions, such as *Highfields*, which recognized that the First Amendment requires a balancing of the harms, few such cases have actually had occasion to apply that test. In *Highfields*, for example, the Court found that the statements at issue were constitutionally protected opinion under the “first prong” of the test (*prima facie* evidence) and thus never reached the “second prong” balancing of harms. Other cases, such as *Sony Music*, recognized that some form of balancing was required, but under the circumstances of the cases had resolved the balancing against defendants, determining that any First Amendment interest was minimal or nonexistent.

By contrast, in this case, the Court assumed, without deciding, that Plaintiff would be able to make out a *prima facie* showing of copyright infringement, resolving the case *solely* under the *Highfields* “second prong” – balancing of harms.

Turning to the harm to Skywalker, the Court reasoned that “[i]nsofar as Skywalker may communicate his message more openly or garner a larger audience by employing a pseudonym, unveiling his true identity diminishes the free exchange of ideas guaranteed by the Constitution.” Thus “the disclosure of his identity is itself an irreparable harm.” The Court also considered a declaration pseudonymously submitted by Skywalker expressing concern that he and his family would be exposed to harassment from loyal AOL adherents and that stripping him of anonymity would make others fear honestly expressing their opinions concerning Shankar and AOL. The Court noted that the evidence may not be “particularly

reliable,” but reasoned that it was “consistent with the self-evident conclusion that important First Amendment interests are implicated by [Plaintiff’s] discovery request.” *Perry*, 591 F.3d at 1163. The Court found that Skywalker has “raised a reasonable inference that unveiling his identity will both subject him to harm and chill others from engaging in protected speech.” (The Court’s consideration of a pseudonymous declaration may itself be unprecedented).

On the other side of the balance, the Court found that denying Plaintiff’s discovery request at this time would not cause “comparable injury to Plaintiff’s interests.” The Court

found that Plaintiff had not demonstrated that it had a need to discover any information that could not be obtained by interrogatories or “means other than a traditional in-person deposition,” citing the possibility under Fed.R. Civ.P. 30 or 31 that the Court might order deposition taken by some remote means or by written questions. The Court also noted that some information Plaintiff sought could be obtained from third parties such as Automattic. The Court also reasoned that Plaintiff had failed to show that it had a need to discover Skywalker’s identity prior to determination of the pending dispositive motions. The Court indicated that Plaintiffs would be free to move to renew their request in the event that those motions were not granted, and the appropriate scope of discovery could be determined at that time.

The Court recognized that the circumstances of the case “differs significantly from those in which discovery as to an anonymous defendant’s identity was necessary in

order to effect service.” Indeed, the Court noted that “this case appears to be unique among the relevant body of case law in that Skywalker has not only appeared through counsel and filed numerous dispositive motions, but also propounded and responded to interrogatories and requests for production. Skywalker’s engagement in the litigation, albeit under a pseudonym, diminishes Plaintiff’s need to obtain his true name at this time.”

The decision suggests that at least in some circumstances a defendant may be well advised to waive service, appear in the case, and (at least in some circumstances) make himself available for discovery on a limited basis. In such circumstances the Court may allow the Doe Defendant to maintain anonymity for some preliminary period. The situation is analogous to that in which a Court allows bifurcating discovery, staying discovery on actual malice until defendant has had an opportunity to take discovery on the issue of falsity, and potentially to obtain summary judgment on that issue.

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Implications

The Court's robust application of the "balancing of harms" inquiry suggest that, if the speaker appears in the action to defend the case and is able to make an initial showing that disclosure of his identity is likely to chill speech -- certainly if that speech is on a matter of public concern -- the Court's task is similar to that under Rule 56(d). In other words, it becomes Plaintiff's burden to show that discovery of the speaker's identity is an "essential" fact necessary for it to overcome defects in its own case or affirmative defenses that may be raised by the Doe Defendant.

The decision suggests that at least in some circumstances a defendant may be well advised to waive service, appear in the case, and (at least in some circumstances) make himself available for discovery on a limited basis. In such circumstances the Court may allow the Doe Defendant to maintain anonymity for some preliminary period. The situation is analogous to that in which a Court allows bifurcating discovery, staying discovery on actual malice until defendant has had an opportunity to take discovery on the issue of falsity, and potentially to obtain summary judgment on that issue. See, e.g., *Weyrich v. New Republic, Inc.*, 235 F.3d 617, 628 (D.C. Cir. 2001); *McBride v. Merrell*

Dow, 255 U.S. App. D.C. 183, 800 F.2d 1208, 1214 (D.C. Cir. 1986).

An interesting aspect of this case is that that both Skywalker and Klim -- and presumably many of the other pseudonymous critics of AOL who have posted comments on the Blogs -- reside abroad. If Skywalker were stripped of his anonymity, the (international) Art of Living organization could sue him in his home country, or in London, or in India. All of the protections of the First Amendment, upon which the Court relied in dismissing the defamation/trade libel causes of action, would then be lost.

Skywalker is protected by the First Amendment solely because he chose to use a blogging platform hosted by a company located in the United States. Automattic (Wordpress) is located in the Northern District of California (as is Google, Facebook, Twitter, etc.). Thus this case may have important implications for other foreigners using these media and/or social media to disseminate messages critical of their governments and/or powerful members of their societies.

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MLRC UPCOMING EVENTS

[MLRC/Stanford Digital Media Conference](#)

May 21-22, 2012 | Stanford, California

MLRC/NAA/NAB 2012 Media Law Conference

Sept. 12-14, 2012 | Reston, Virginia

MLRC Annual Dinner

November 14, 2012 | New York, NY

Defense Counsel Section Annual Meeting and Lunch

November 15, 2012 | New York, NY

Statutory Damages and Constitutional Limits

Sony BMG Music Entertainment v. Tenenbaum

By Lincoln Bandlow

Proving actual damages in a copyright infringement action can sometimes prove difficult. In some circumstances, a plaintiff has no prior licensing history or perhaps that licensing history is not particularly lucrative, so a “lost licensing fee” recovery is not attractive. Often times the defendant did not profit from the infringement (so defendant has no profits to disgorge to the plaintiff) or the plaintiff cannot demonstrate that he or she would have fared any better (so there is no “lost profit” for the plaintiff to recover). In such situations, however, the Copyright Act provides an attractive alternative: the opportunity to seek to recover statutory damages in lieu of actual damages. See 17 U.S.C. §504(c). (Such a right is available only if the plaintiff has registered the work prior to the alleged act of infringement. See 17 U.S.C. § 412.)

The amount of statutory damages that a plaintiff can recover ranges from \$750 to \$150,000 per work infringed and the amount depends on a number of factors, particularly whether the infringement was innocent or willful. When a single work is infringed, this range may not raise significant issues. But what about peer-to-peer file sharing where a defendant may have downloaded and shared dozens, if not hundreds and thousands, of copyrighted works?

A statutory damages award (particularly where it is found that the infringer was acting willfully) can soar into the millions. Is there a constitutional due process restraint that prevents such a result? The First Circuit addressed the law relating to that issue last September in *Sony BMG Music Entertainment v. Tenenbaum*, 100 U.S.P.Q.2d 1161 (1st Cir. 2011), although it ultimately held that resolution of the issue will have to wait for another day.

Background

Sony v. Tenenbaum arose out of a shift in strategy by the record labels when it came to addressing rampant peer-to-peer file sharing of copyrighted musical recordings. For

years, the labels had gone after the internet companies that were engaging in or facilitating such infringement by individual internet users. See, e.g., *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005). For years, however, the labels had stayed away from going after the actual users. *Sony v. Tenenbaum* involved an action against an individual user.

Joel Tenenbaum was “an early and enthusiastic user of peer-to-peer networks to obtain and distribute copyrighted music recordings.” In 1999, while still a teenager, Tenenbaum installed the Napster program on his family home computer in Providence, Rhode Island, and began downloading and distributing copyrighted musical recordings without authorization. After the Napster network was shut down in 2001, Tenenbaum was undeterred, turning to other peer-to-peer networks such as AudioGalaxy, iMesh, Morpheus, Kazaa, and Limewire to download and distribute music. He continued to do so through 2007, using “a panoply of peer-to-peer networks for these illegal purposes from several computers” at both his home and his laptop computers that he took with him to college.

Over the years, Tenenbaum “intentionally downloaded thousands of songs to his own computers from other network users” and “purposefully made thousands of songs available to other network users” despite the fact that numerous lawsuits had been brought, and publicized, against individuals who engaged in such conduct. At one point he had over a thousand songs on his shared directory on the Kazaa service and Tenenbaum admitted at trial that he followed when other users were accessing his shared directory and it “wasn’t uncommon” for other users to download music from his computer.

Tenenbaum clearly knew that his conduct in downloading and distributing music without authorization was illegal. He knew that the industry had started filing actions against such

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**The Court first
rejected the notion that
Tenenbaum was simply
a “consumer copier.”**

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conduct. While in college, his father had warned him that his conduct was illegal and had instructed him to stop, but young Tenenbaum continued. Tenenbaum's college also warned him to stop, providing students with a handbook warning that using the college's network to download and distribute copyrighted materials was illegal and that such conduct could subject an infringer to up to \$150,000 of liability per infringement.

Indeed, Tenenbaum knew that the college took this issue seriously, having taken efforts to stop it and having implemented so many technological restrictions on its network that it caused various peer-to-peer programs to stop working.

Moreover, his home internet service provider warned against using the internet to illegally download music. Finally, the plaintiffs themselves informed Tenenbaum in a 2005 letter that he had been detected infringing copyrighted materials, notified him that his conduct was illegal and threatened to file a lawsuit if he did not stop. (Plaintiffs consisted of Sony BMG Music Entertainment, Warner Bros. Records Inc., Atlantic Recording Corp., Arista Records LLC, and UMG Recording Inc., the major music labels.)

Copyright Infringement Suit

Despite this letter and all the other warnings, Tenenbaum continued to download and distribute copyrighted materials for another two years after the letter from plaintiffs and only stopped when the lawsuit was filed.

The plaintiffs sought statutory damages and an injunction against Tenenbaum, limiting their claims to just thirty music recordings downloaded by Tenenbaum, even though it had evidence that he had downloaded and distributed thousands of recordings. The district court rejected Tenenbaum's fair use defense. The court was not impressed with Tenenbaum's other efforts to avoid liability, finding that he had lied when he first denied that his computers had been used to download and distribute songs and that there was no evidence to support his assertion that others individuals, "included a foster child living in his family's home, burglars who had broken into the home, his family's house guest, and his own sisters" may have used his computers to do so.

Copyright Damage Award

After a five-day jury trial, the district court granted plaintiffs' motion for judgment as a matter of law, holding that plaintiffs' owned the copyrights at issue and that Tenenbaum had infringed them. The jury was left to decide the question of whether Tenenbaum's infringement was willful and the amount of statutory damages to be awarded. The jury found that Tenenbaum had willfully infringed each of plaintiff's thirty copyrighted works and awarded \$22,500 per infringement (which is well within the statutory range), yielding a total award of \$675,000.

Tenenbaum filed a motion for a new trial or remittitur. Absent a grant of a new trial, he sought remittitur to the statutory minimum, arguing that the district court should use the standard that remittitur is appropriate where the result of the award is "grossly excessive, inordinate, shocking to the conscience of the court, or so high that it would be a denial of justice to permit it to stand." Moreover, he argued that the award was unconstitutionally excessive under the standard for reviewing punitive damage awards articulated in [BMW of North America, Inc. v. Gore](#), 517 U.S. 559 (1996).

Plaintiffs opposed, arguing there was no factual basis for a remittitur and that the district court could not displace a jury verdict in the statutory range set by Congress and doing so would violate plaintiffs' Seventh Amendment rights. Moreover, plaintiff's argued that even assuming the court turned to the due process argument, the standard set forth in [St. Louis, I.M. & S. Ry. Co. v. Williams](#), 251 U.S. 63, 67-68 (1919), and not *Gore*, was the proper standard and, under either standard, the award was not excessive.

The United States was allowed to intervene in the action and it argued that the doctrine of constitutional avoidance required the district court to first consider the question of common law remittitur and if the court addressed the constitutional question, the standard set forth in *Williams* was appropriate and not *Gore* because punitive damages are a distinct remedy from statutory damages. The United States also took the position that an award within the Copyright Act's statutory damage range comported with due process as a matter of law.

The district court bypassed the common law remittitur request, reached the constitutional due process issue, and

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ruled the award excessive under *Gore*. It reduced the award from \$675,000 to \$67,500 and did not give plaintiffs the option of a new trial. The district court believed that plaintiffs had taken the position that they would not accept a remittitur and thus a new trial was inevitable. The court then assumed that a jury would inevitably award a damages sum which would lead Tenenbaum to again raise a constitutional excessiveness challenge, and that the court which heard the new trial would then have to consider those and other objections again.

Thus, the district court determined that since it was inevitable that it would eventually have to rule on the constitutional due process issue, it might as well do so then. The plaintiffs appealed from the reduction of the damage award, and Tenenbaum cross-appealed from the judgment of liability and the award of damages.

First Circuit Decision

In its decision, the First Circuit first rejected Tenenbaum's arguments as to liability. Tenenbaum argued that he was not subject to the Copyright Act for three reasons. First, he asserted that the Copyright Act was unconstitutional under *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998), which held that the Seventh Amendment entitles a defendant to a jury trial regarding the amount of statutory damages under 17 U.S.C. § 504(c), although Congress had stated in the statute that judges, not juries, would make this determination. Tenenbaum asserted that this rendered the statutory damages provision unconstitutional until Congress amends the statute.

The First Circuit found that Tenenbaum had waived this argument by not making it to the district court. Moreover, even if it was not waived, the First Circuit pointed out the numerous cases from the First Circuit and other circuits that had rejected this argument. See *Segrets, Inc. v. Gillman Knitwear Co.*, 207 F.3d 56 (1st Cir. 2000); *Venegas-Hernandez v. Sonolux Records*, 370 F.3d 183, 191-94 (1st Cir. 2004); *BMG Music v. Gonzalez*, 430 F.3d 888, 892-93 (7th Cir. 2005) (upholding statutory damages award under §

504(c) despite claim that *Feltner* rendered such an award unconstitutional); *Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186, 1192 (9th Cir. 2001) (rejecting argument that *Feltner* rendered "statutory damages provision of the Copyright Act ... unconstitutional in its entirety" and concluding *Feltner* "in no way implies that copyright plaintiffs are no longer able to seek statutory damages under the Copyright Act"). Indeed, this argument was barred by Supreme Court precedent. See *Tull v. United States*, 481 U.S. 412, 417 n.3 (1987) (upholding enforceability of Clean Water Act even though "[n]othing in the language of the ... Act or its legislative history implies any congressional intent to grant defendants the right to a jury trial" and the Seventh Amendment required that defendants be given such a jury trial right).

Second, Tenenbaum argued that Congress did not intend the Copyright Act to impose liability or damages against infringements that were, as Tenenbaum called them, merely "consumer copying." The First Circuit found that this argument was also waived by Tenenbaum's failure to present it below, but even if not waived, it failed for a variety of reasons. The Court first rejected the notion that Tenenbaum was simply a "consumer copier." He was "not a consumer whose infringement was merely that he failed to pay for copies of

music recordings which he downloaded for his own personal use" but was rather someone who widely and repeatedly copied works belonging to plaintiffs and then illegally distributed those works to others who also did not pay plaintiffs. Nor was this simply "non-commercial" use, but was use made for financial gain, which includes the receipt of anything of value, including "the receipt of other copyrighted works."

Setting aside the inaccuracy of Tenenbaum's labels, the Court found that this argument was contradicted by the plain language of the Copyright Act, which does not make a distinction between "consumer" and "non-consumer" infringements. "Indeed, the [Copyright] Act does not use the term 'consumer' at all, much less as a term excluded from the

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The First Circuit noted that the Supreme Court did not overrule *Williams* when it decided *Gore*. Moreover, the Supreme Court has never suggested that the *Gore* standards should be extended to the review of statutory damage awards.

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category of infringers. Rather, the statute refers to ‘anyone’ as potential infringers.” See 17 U.S.C. § 501(a). Thus, the Copyright Act “contains no provision that could be interpreted as precluding a copyright owner from bringing an action against an infringer solely because the infringer was a consumer of the infringed products or acted with a so-called noncommercial purpose in his distribution of the works to others.”

Tenenbaum also argued that statutory damages could not be applied to “consumer copying.” The First Circuit found that this argument was refuted by the plain statutory language as well, holding that the Copyright Act does not condition the availability of either actual or statutory damages “on whether the offending use was by a consumer or for commercial purposes or not.” In fact, where Congress has wanted to draw a distinction based on the nature of the use, it has expressly done so, such as with the fair use defense (which distinguishes “commercial” and “non-commercial” uses, the Sound Recording Act of 1971 (which extended federal copyright protection to sound recordings but exempted certain reproductions made for personal use), and the Audio Home Recording Act of 1992 (which provided some exemptions from liability for certain “noncommercial use by a consumer”).

Tenenbaum’s third argument as to liability was that statutory damages were unavailable to plaintiffs because statutory damages, as a matter of Congressional intent, cannot be awarded absent a showing of actual harm, and Tenenbaum claimed there was no such harm. The First Circuit rejected that contention as well. “Section 504 clearly sets forth two alternative damage calculations a plaintiff can elect: actual damages and statutory damages” and the statute is clear that “statutory damages are an independent and alternative remedy that a plaintiff may elect ‘instead of actual damages.’” Statutory damages were put in the Copyright Act to “‘give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits.’”

Before statutory damages were made available, plaintiffs

often times could prove infringement but could recover only nominal damages, which could result in encouraging willful and deliberate infringement. With statutory damages, even when there is no “actual harm” the court can “impose a liability within statutory limits to sanction and vindicate the statutory policy.” *F.W. Woolworth Co. v. Contemporary Arts*, 344 U.S. 228, 233 (1952). Moreover, the First Circuit disagreed with the assertion that plaintiffs had not offered evidence of actual harm, citing the “extensive testimony regarding the loss in value of the copyrights at issue that resulted from Tenenbaum’s conduct, and the harm of Tenenbaum’s actions” to plaintiffs and the industry, “including reduced income and profits, and consequent job loss to employees.”

Having rejected Tenenbaum’s contentions regarding liability and damages, the First Circuit turned to the district court’s reduction of the damages award. (The First Circuit also rejected a number of arguments that Tenenbaum asserted regarding the jury instructions given in the case, which are not addressed here.)

The district court, after the jury awarded statutory damages, had bypassed the issue of common law remittitur, and instead resolved a disputed question of whether the jury’s award of \$22,500 per infringement violated due process, and decided itself to reduce the award. The First Circuit found that this was reversible

error because the district court had failed to “adhere to the doctrine of constitutional avoidance.” The First Circuit rejected the district court’s conclusion that resolution of the constitutional due process question was inevitable, holding that it should have first “considered the non-constitutional issue of remittitur, which may have obviated any constitutional due process issue and attendant issues.

The First Circuit pointed out the “bedrock” legal doctrine that “the ‘long-standing principle of judicial restraint requires that courts avoid reaching constitutional questions in advance of the necessity of deciding them.’” Thus, courts must consider non-constitutional grounds for a decision first. The First Circuit found that there was no valid reason for

Although noting that the case was difficult and contentious “and the parties received a fair trial from an admirably patient and able district judge,” the district court’s due process damages ruling and reduction of the jury’s statutory damages award had to be reversed.

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abandoning this doctrine in this case. Rather, not following this doctrine “thrust the case into a thicket of constitutional issues it was not necessary to enter.”

Had the district court ordered remittitur, “there would have been a number of possible outcomes that would have eliminated the constitutional due process issue altogether, or at the very least materially reshaped that issue.” First, plaintiffs could have accepted the remitted award, which would have avoided the need to rule on the due process and Seventh Amendment issues. Second, if remittitur had been ordered and rejected, a new trial would have ensued and the new jury could have issued an award that might not have led Tenenbaum to again seek a reduction. Finally, even if a new jury issued a comparable award and Tenenbaum once again moved to reduce it on constitutional grounds, it was still premature for the court to reach the constitutional question because “a new trial could have materially reshaped the nature of the constitutional issue by altering the amount of the award at issue or even the evidence on which to evaluate whether a particular award was excessive.”

What it left for another day is the issue of what standard will be applied when it is argued that the amount of a statutory damages violates the due process protections of the U.S. Constitution.

Constitutionality of Damage Awards

By not choosing remittitur, the district court became “unnecessarily embroiled” in several issues of a constitutional dimension. The first was whether the due process standard for statutory damage awards articulated by the Supreme Court in *Williams* was applicable. The second was whether, assuming *Williams* did not apply, whether *Gore*, or a combination of *Williams* and *Gore*, or something else was the due process standard. The First Circuit examined both decisions to point out the nature of the question that the district court could have avoided.

In *Williams*, the Supreme Court considered a challenge to an Arkansas statute that subjected railroads to penalties within a certain range. A lawsuit resulted in an award within the statutory range. The railroad challenged the statutory award as unconstitutionally excessive under the Due Process Clause. The Supreme Court held that while the Due Process Clause limits the power of governments to prescribe penalties

for violations of their laws, they have a wide latitude of discretion in the matter. Given this latitude, the Supreme Court rejected the railroad’s due process argument, holding that a statutory damage award violates due process only “where the penalty prescribed is so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.”

Gore, on the other hand, related to the issue of when a jury’s punitive damage award is so excessive as to violate due process. Working off the principle that due process requires that civil defendants receive fair notice of the severity of the penalties their conduct might subject them to, the Supreme Court identified three factors to guide a court’s consideration of whether a punitive damage award violates due process: (1)

the degree of reprehensibility of the defendant’s conduct; (2) the ratio of the punitive award to the actual or potential harm suffered by the plaintiff; and (3) the disparity between the punitive award issued by the jury and the civil or criminal penalties authorized in comparable cases.

The First Circuit noted that in a copyright infringement case, “there are many questions regarding the relationship between *Gore*’s guideposts for reviewing punitive damage awards and the *Williams* standard for reviewing statutory damage awards.” First, there is or may be a material difference between the purposes of statutory damages under the Copyright Act as opposed to the purpose of punitive damages. Second, there may be a difference in the “limits or contours of possible ranges of awards under the different standards.” Third, *Williams* and *Gore* involved limitations on state-authorized awards of damages, whereas statutory damages in a copyright case are set by Congress pursuant to its Article I powers and thus setting a damages limitation may be an “intrusion into Congress’s power under Article 1, Section 8 of the Constitution.”

The First Circuit noted that the Supreme Court did not overrule *Williams* when it decided *Gore*. Moreover, the Supreme Court has never suggested that the *Gore* standards should be extended to the review of statutory damage awards. Indeed, the First Circuit pointed out that the “concerns

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regarding fair notice to the parties of the range of possible punitive damage awards present in *Gore* are simply not present in a statutory damages case where the statute itself provides notice of the scope of the potential award.”

Indeed, another circuit court declined to apply *Gore* in the statutory damages context and instead applied the *Williams* test. See *Zomba Enters., Inc. v. Panorama Records, Inc.*, 491 F.3d 574, 587 (6th Cir. 2007). The First Circuit held that the district court should have ordered remittitur to avoid having to reach these issues.

Moreover, this would have avoided the court needing to reach issues pertaining to the Seventh Amendment. Under that amendment, in civil lawsuits where the value in controversy exceeds twenty dollars, the parties have a right to a jury trial. When an award of general damages has been made, a trial court’s reduction of that award must, to avoid Seventh Amendment error, allow the plaintiff a new trial. In contrast, some cases have held that a punitive damage award may be reduced on due process grounds, without giving the plaintiff a new trial, and this does not run afoul of the Seventh Amendment. Supreme Court’ cases on punitive damages have suggested this as well, but the question has never been directly addressed. No cases have addressed the issue of whether a *statutory* damages award can be reduced, without affording the plaintiff a new trial, and not violate the Seventh Amendment.

In this case, however, the district court ordered a reduction in the amount of damages but did not afford plaintiffs a new trial, assuming that statutory damage awards should be treated largely as punitive, and not compensatory, for purposes of evaluating Seventh Amendment issues. The First Circuit noted, however, that “statutory damages, unlike punitive damages, have both a compensatory and punitive element.” Moreover, the Supreme Court has suggested that punitive damage awards may not implicate the Seventh Amendment for reasons that do not apply to statutory damage awards. Indeed, the Supreme Court held in *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 355 (1998), that “the Seventh Amendment provides a right to a jury trial on all issues pertinent to an award of statutory damages under § 504(c) of the Copyright Act, including the amount itself.” The First Circuit made clear that it was not deciding any of these issues, but only describing them to “show the importance of adherence to the doctrine of constitutional

avoidance.”

On the other hand, the First Circuit rejected plaintiffs’ contention that the district court properly rejected a consideration of remittitur because remittitur is never available when an award falls within a prescribed statutory range. The First Circuit rejected the argument “that in enacting the Copyright Act, Congress intended to eliminate the common law power of the courts to consider remittitur” which is a doctrine that “has roots deep in English and American jurisprudence.” Moreover, Congress had never shown any intent to eliminate remittitur. Finally, the principle of remittitur is embodied in Federal Rule of Civil Procedure 59. Thus, “the district court’s decision not to consider remittitur as requested appears to be contrary to Congressional intent.”

Thus, although noting that the case was difficult and contentious “and the parties received a fair trial from an admirably patient and able district judge,” the district court’s due process damages ruling and reduction of the jury’s statutory damages award had to be reversed. The First Circuit reinstated the jury’s award of damages and remanded for consideration of plaintiff’s motion for common law remittitur based on excessiveness. The First Circuit noted that if on remand the district court determines that the jury’s award does not merit remittitur, the court and the parties will have to address the relationship between the remittitur standard and the due process standard in a statutory damages case (assuming the parties continue to raise the issues). If, however, the district court on remand allows any reduction in damages through remittitur, then plaintiffs must be given the choice of a new trial or acceptance of the lower award.

Thus, in *Sony*, the First Circuit addressed a number of challenges to an award of statutory damages in a copyright infringement case, holding that such awards are not unconstitutional as applied to peer-to-peer downloaders and distributors of copyrighted works. What it left for another day is the issue of what standard will be applied when it is argued that the amount of a statutory damages violates the due process protections of the U.S. Constitution.

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Copyright Suit Against Producers of Percy Jackson Movie Dismissed

Plaintiff's Works Not Substantially Similar to Popular Book Series and Movie

An author's suit for copyright infringement against International Television Company, Disney, Twentieth Century Fox, and Dune Entertainment for the popular book series *Percy Jackson and the Olympians*, as well as its film adaption, was recently dismissed. [*DiTocco v. Riordan et al.*](#), 1:10-cv-04186 (S.D. N.Y. Sept. 9, 2011) (Stein, J.).

The court compared defendants' works to plaintiffs' two books, found no substantial similarity between the works and dismissed the claim.

Background

Plaintiffs Robyn and Toni DiTocco wrote *The Hero Perseus* and *Atlas' Revenge*, whose protagonist is Percy John Allen. The hero of the plaintiffs' novels, thanks to an ancestral relation to Perseus, is a Greek hero living in Athenia, Georgia who lives a dual existence. By day he engages in the prosaic struggles of a young adult existence – high school sports, dating, and later college – while by night he conducts battles in a mythological realm, with episodes drawn from the material of Greek myth, such as slaying the Gorgon Medusa.

By comparison, the defendants' film, based on a popular five-part book series entitled *Percy Jackson & The Olympians*, featured a boy in his early teens who is plagued by ADHD, dyslexia, and childhood abuse. Protagonist Percy Jackson is the son of Poseidon, a demi-God. He learns this after one day being whisked away to a "Camp Halfblood," a school located in Long Island for fellow demi-Gods. Jackson embarks on adventures from Greek myth, some drawn from the myth of Perseus, though set in the present day United States; the Underworld is located in Los

Angeles; Mt. Olympus is located high atop the Empire State Building.

The plaintiffs argued that there was substantial similarity between the works, including that both included Greek mythological themes intertwined with modern life and featured young protagonists that alluded to the hero Perseus. Both protagonists experienced the absence of a father, and romance with a female "Andromeda" character.

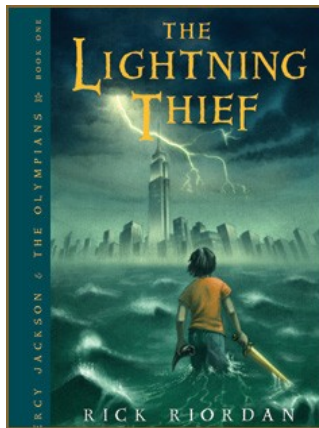
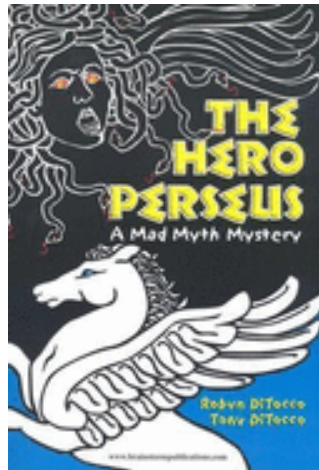
District Court Opinion

The District Court granting a motion to dismiss, holding that no ordinary observer could find the two works substantially similar. Drawing on established precedent, Judge Stein compared both works for similarities in the elements of narrative structure, characters, themes, setting, plots and scenes, as well as total concept and overall feel, to find that no protectable material had been copied.

The court noted that similarities between the works were based on non-protectable *scenes a faire*, while pointing out that the works diverged substantially in their expressive elements. For example, most similarities in the works came from non-protectable stock material; the themes of Greek myth, or the character who lacks a father figure.

On the other hand, the court pointed out numerous differences in the manner in which the two works had been expressed. For example, considering the characters, the plaintiff's protagonist was a cool and athletic young adult, while the defendant's was a young teenager with disabilities.

(Continued on page 43)



(Continued from page 42)

The setting between the works differed in that the *Percy Jackson* books interpose a mythological world alive in present day settings, as opposed to the plaintiffs setting mythology in a remote realm. On the element of overall concept and feel, perhaps the most comparable element between the two works, the court found the feel-good tone of the plaintiffs' books to be quite different from the dark, brooding tone of the *Percy Jackson* books.

"Because the similarities between the plaintiffs' books and the *Percy Jackson* film relate essentially to non-protectable elements, and the similarities in the works' expression are greatly outweighed by their differences," the court found no copyright infringement had occurred as a matter of law.

Plaintiffs are represented by Toberoff & Associates, P.C., Los Angeles, CA. Defendants are represented by Hogan Lovells US LLP and Loeb & Loeb LLP.

D.C. Preliminarily Enjoins New Graphic Tobacco "Warnings," Applies Strict Scrutiny to Compelled Display of Government Advocacy

By Joel Kurtzberg
and Kayvan Sadeghi

On November 7, 2011, U.S. District Judge Richard Leon granted a preliminary injunction against the U.S. Food and Drug Administration ("FDA") in a case filed by R.J. Reynolds Tobacco Co., Lorillard Tobacco Company, Commonwealth Brands, Inc., Liggett Group LLC, and Santa Fe Natural Tobacco Company, in the U.S. District Court for the District of Columbia. [*R.J. Reynolds Tobacco Co. v. FDA*](#), Civil Case No. 11-1482 (D.D.C.). The tobacco companies' First Amendment challenge to the constitutionality of FDA's new graphic cigarette warning labels has potentially far-reaching implications for future Government regulation of commercial speech and of products the Government disfavors.

The FDA issued a Final Rule on June 22, 2011 that would have required tobacco companies to display new graphic labels on cigarette packs and advertising by September 22, 2012. The preliminary injunction stays the effective date of the Rule until 15 months after the district court's final resolution of the litigation. Cross motions for summary judgment are pending before the district court and the preliminary injunction is on appeal before the United States Court of Appeals for the D.C. Circuit.

The district court granted a preliminary injunction because "the plaintiffs have demonstrated a substantial likelihood that they will prevail on the merits of their position that these mandatory graphic images unconstitutionally

compel speech, and that they will suffer irreparable harm absent injunctive relief pending a judicial review of the constitutionality of the FDA's Rule." The new graphic images were found likely to be unconstitutional compelled speech because they appear to cross the line from purely factual and noncontroversial health warnings (which would be permissible under the First Amendment provided that they were not unjustified or unduly burdensome) to a compelled display of government advocacy in support of its non-smoking agenda. As compelled advocacy, the graphic images are subject to strict scrutiny, under which plaintiffs are highly likely to succeed.

The Court was not persuaded by the Government's reference to similar graphic tobacco warnings in countries that lack the robust protections of the First Amendment, and it paid particular attention to the precedent that the new warnings regime would create for non-tobacco products: "One can only wonder what the Congress and the FDA might conjure for fast food packages and alcohol containers if, like the Canadian government, they were not compelled to comply with the intricacies of our First Amendment jurisprudence." Opinion at 20n26.

Congress' and FDA's New Graphic Tobacco "Warnings"

The new graphic tobacco warnings stem from the Family Smoking Prevention and Tobacco Control Act (the "Act"),

(Continued on page 44)



The new graphic images were found likely to be unconstitutional compelled speech because they appear to cross the line from purely factual and noncontroversial health warnings (which would be permissible under the First Amendment provided that they were not unjustified or unduly burdensome) to a compelled display of government advocacy in support of its non-smoking agenda.

(Continued from page 43)

passed by Congress and signed into law by President Obama in 2009. Among other things, the Act requires nine new specified textual warnings accompanied by graphic images of FDA's choosing, to occupy the top 50% of the front and back panels of all cigarette packages. Congress gave FDA "24 months after the date of enactment" of the Act to issue regulations implementing the new warnings. The new textual warnings and graphic-image labels were scheduled to take effect 15 months after issuance of the Rule. *See* Opinion at 5.

On November 12, 2010, FDA submitted for public comment a Proposed Rule unveiling 36 graphic color images that could be displayed with the 9 new textual warnings created by Congress. *Id.* at 5. Following public comment and its own impact study, FDA implemented its Final Rule on June 22, 2011, adopting nine of the 36 proposed images.

The new graphics are posted online at <http://www.fda.gov/TobaccoProducts/Labeling/CigaretteWarningLabels/default.htm>. As described by the Court, they include:

[C]olor images of a man exhaling cigarette smoke through a tracheotomy hole in his throat; a plume of cigarette smoke enveloping an infant receiving a kiss from his or her mother; a pair of diseased lungs next to a pair of healthy lungs; a diseased mouth afflicted with what appears to be cancerous lesions; a man breathing into an oxygen mask; a

bare-chested male cadaver lying on a table, and featuring what appears to be post-autopsy chest staples down the middle of his torso; a woman weeping uncontrollably; and a man wearing a t-shirt that features a "no smoking" symbol and the words "I Quit." An additional graphic image appears to be a stylized cartoon (as opposed to a staged photograph) of a premature baby in an incubator.

Opinion at 7.

Each warning also brandishes the "1-800-QUIT-NOW" smoking-cessation hotline. *Id.* at 8. The Court noted that "FDA does not dispute that 'some of the photographs were technologically modified to depict the negative health consequences of smoking,' although it insists that 'the effects shown in the photographs are, in fact, accurate depictions of the effects of sickness and disease caused by smoking.'" *Id.* at 7n12. The Court's view of the "warnings" was made clear in the first footnote on page one:

The FDA conveniently refers to these graphic images as "graphic warnings." While characterizing the mandatory textual statements as "warnings" seems to be a fair and accurate description,

(Continued on page 45)

(Continued from page 44)

characterizing these graphic images as “warnings” strikes me as inaccurate and unfair. At first blush, they appear to be more about shocking and repelling than warning. Accordingly, I will refer to them simply as graphic images, and set this self-serving “warning” label aside for closer analysis on another day.

Related Litigation

Before FDA issued its Final Rule, some of the same plaintiffs challenged the Act itself on First Amendment grounds, including the Act’s requirement that FDA promulgate graphic warnings. The Western District of Kentucky granted summary judgment against the tobacco companies with respect to the Act’s graphic warning requirements (and for them on other aspects of the Act), and that case remains pending on cross-appeals in the Sixth Circuit.

As a preliminary issue here, the Government construed the case against FDA as an attempt to re-litigate the earlier case and asserted that the Court should defer to the Western District of Kentucky’s grant of summary judgment against some of the same tobacco companies with respect to graphic warnings. The Court decisively rejected the notion that it was bound by the decision out of the Western District of Kentucky. “I would remind the Government that even decisions from other district courts in *our* Circuit have no binding effect on this Court. This case is, indeed, one of first impression in our Circuit – and one wholly separate, both factually and legally, from the *Commonwealth Brands* case.” *Id.* at 12. Among other things, the Court noted that the challenge to the Act was “a facial challenge to the constitutionality of graphic warnings in general” as opposed to this challenge to the nine particular graphic images selected by FDA. *Id.* at 12n17. (These specific graphics had not been selected at the time of the *Commonwealth Brands* decision.) With that, the Court turned its attention to the FDA Rule.

First Amendment Protection Against Compelled Speech

The Court began its analysis of the merits by briefly

summarizing the core First Amendment protection against compelled speech. *See* Opinion at 13:

A fundamental tenant of constitutional jurisprudence is that the First Amendment protects “both the right to speak freely and the right to refrain from speaking at all.” *Wooley [v. Maynard]*, 430 U.S. [705] at 714 [(1977)]. A speaker typically “has the autonomy to choose the content of his own message.” *Hurley [v. Irish American Gay, Lesbian, and Bisexual Group of Boston]*, 515 U.S. [557] at 573 [(1995)]. And, in fact, “[for corporations as for individuals, the choice to speak includes within it the choice of what not to say.” *Pac. Gas & Elec. Co. v. Pub. Util./so Comm’n of Cal.*, 475 U.S. 1, 16 (1986) (plurality opinion). Thus, where a statute “‘mandates speech that a speaker would not otherwise make,’ that statute ‘necessarily alters the content of the speech.’” *Entertainment Software Ass’n v. Blagojevich*, 469 F.3d 641, 651 (7th Cir. 2006) (quoting *Riley v. Nat’l Fed’n of the Blind of N.C., Inc.*, 487 U.S. 781, 795 (1988)). As the Supreme Court itself has noted, this type of compelled speech is “presumptively unconstitutional.” *Rosenberger v. Rector & Visitors of Univ. of Va.*, 515 U.S. 819, 830 (1995).

There is, however, a limited exception to the compelled speech doctrine, which allows the Government to require disclosure of “purely factual and uncontroversial information” in order to prevent “confusion or deception,” as long as the required disclosures are not “unjustified and unduly burdensome.” *Zauderer v. Office of Disciplinary Counsel*, 471 U.S. 626, 651 (1985). Perhaps the quintessential example of such disclosures is the long-standing Surgeon General’s warnings on tobacco products.

Plaintiffs acknowledged that their products had been accompanied by warnings for more than 45 years and noted that they had “never brought a legal challenge to any of

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them.” Opinion at 3n4. Nor did Plaintiffs challenge the text of the new warnings required by Congress. However, the graphic images and the size and placement requirements, confiscating the top 50% of the front and back of cigarette packs, rendered the new warnings unduly burdensome and no longer “purely factual and uncontroversial.”

The Court agreed, at least preliminarily, and its analysis of whether the images were purely factual is particularly instructive. First, the Court looked to the creation of the images, noting that “the fact *alone* that some of the graphic images here appear to be cartoons, and others appear to be digitally enhanced or manipulated, would seem to contravene the very definition of ‘purely factual.’” Opinion at 13 (emphasis in original). Second, the Court looked to the criteria by which FDA selected the graphics – which were chosen by means of a study that measured “salience,” defined as the ability to elicit emotional reactions such as shock and disgust – which further indicated that the images were not intended to be purely factual and noncontroversial. *See id.* Finally, the Court employed a know-it-when-you-see-it approach:

Moreover, it is abundantly clear from viewing these images that the emotional response they were crafted to induce is calculated to provoke the viewer to quit, or never to start, smoking: an objective wholly apart from disseminating purely factual and uncontroversial information. Thus, while the line between the constitutionally permissible dissemination of factual information and the impermissible expropriation of a company’s advertising space for Government advocacy can be frustratingly blurry, here – where these emotion-provoking images are coupled with text extolling consumers to call the phone number “1-800-QUIT” – the line seems quite clear. *Id.*

The opinion is noteworthy for its refusal to accept the Government’s asserted compelling interest at face value. It is not enough for the Government to claim that it is seeking to inform consumers. Nor is it enough that the Government’s actions are broadly intended to further public health.

Because the graphic “warnings” did not fit within the *Zauderer* exception, “neatly or otherwise,” they were subject to strict scrutiny. *Id.* at 16.

To withstand strict scrutiny, FDA bore the burden of demonstrating that the Rule is narrowly tailored to achieve a compelling government interest. Here, FDA “neither carried its burden of demonstrating a compelling interest, nor demonstrated how the Rule is narrowly tailored to achieve a constitutionally permissible form of compelled commercial speech.” *Id.* at 21.

One might expect the compelling interest to be self-evident in the context of tobacco warnings. However, the Court conducted a more thorough analysis of the interest at stake and noted that while this step may ordinarily be perfunctory, here it was “seriously clouded by the Government’s own explanation of its goals, which are, to say the least, unclear. . . [because] the Government’s stated purpose does not seem to comport with the thrust of its arguments, or with the evidence it offers to support the Rule.” *Id.* at 17.

The Court did not accept at face value FDA’s assertion of an interest to inform tobacco consumers (or potential consumers) of health risks. Rather, the Court again looked to the means by which FDA had evaluated the warnings, pointing out that “the study [FDA conducted to evaluate the proposed images] was not designed to assess whether the proposed graphic images would have a statistically significant impact on consumer awareness of smoking risks.” *Id.* at 18. Accordingly, the Court found FDA’s asserted purpose to be an argument of convenience in light of the permissible disclosure standard set forth in *Zauderer*. “As best as I can discern, however, the Government’s primary purpose is not, as it claims, merely to inform.” *Id.* at 17.

The Court also found the warnings not narrowly tailored to achieve “the Government’s purpose (whatever it might be).” Rather, the Court looked at the dimensions of the warnings as an indication that the true purpose was, as the Secretary of Health and Human Services had stated, to

(Continued on page 47)

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“rebrand[] our cigarette packs,’ treating (as the FDA Commissioner announced last year) ‘every single pack of cigarettes in our country’ as a ‘mini-billboard.’” *Id.* at 20.

The final straw was the “QUIT NOW” message included with each graphic warning. “That each warning brandishes the ‘1-800-QUIT-NOW’ smoking-cessation hotline only enhances plaintiffs’ argument that the FDA has ‘conscript[ed] [tobacco manufacturers] into an anti-smoking brigade.’” *Id.* at 21n28.

Last, the Court held that the tobacco companies faced irreparable harm for two reasons. First, the monetary loss suffered by plaintiffs in preparing to comply with the new graphic warnings pending a determination from the Court would constitute irreparable harm, even though it was purely economic, because plaintiffs would be precluded from seeking money damages from FDA, thus rendering any financial loss irreparable. *Id.* at 23-24. Second, the Court noted that courts have found the loss of First Amendment rights to be irreparable harm *per se.* *Id.* at 24 (citing *Elrod v. Burns*, 427 U.S. 347, 373 (1976) (plurality opinion) (“The loss of First Amendment freedoms, for even minimal periods of time, unquestionably constitutes irreparable injury.”))

Significance of the Decision

Judge Leon’s decision is a strong defense of First Amendment rights and a rebuke of the Government’s efforts to use regulatory power to push a particular agenda. Preventing such over-reaching in the context of tobacco – where the Government’s ambitions may be at their most sympathetic – is crucial to avoid an erosion of First

Amendment freedoms. As the Court recognized, “when one considers the logical extension of the Government’s defense of its compelled graphic images to possible graphic labels that the Congress and the FDA might wish to someday impose on various food packages (i.e., fast food and snack food items) and alcoholic beverage containers (from beer cans to champagne bottles), it becomes clearer still that the public’s interest in preserving its constitutional protections” favors injunctive relief. *Id.* at 28.

The Court’s opinion is directly in keeping with recent Supreme Court precedent, which has similarly rejected Government efforts to use speech regulation to advance its agenda. See *Sorrell v. IMS Health, Inc.*, 131 S. Ct. 2653, 2671 (June 23, 2011) (“[t]he State can express [its] view through its own speech. But a State’s failure to persuade does not allow it to hamstring the opposition. The State may not burden the speech of others in order to tilt public debate in a preferred direction.”)

The opinion is also noteworthy for its refusal to accept the Government’s asserted compelling interest at face value. It is not enough for the Government to claim that it is seeking to inform consumers. Nor is it enough that the Government’s actions are broadly intended to further public health. Rather, the Court looked to the record to determine the more direct purpose of the particular FDA Rule before it. Here that more immediate purpose – to advance an anti-smoking agenda by compelling tobacco manufacturers to carry the Government’s advocacy – is precisely what the First Amendment assures that the Government may not do.

Joel Kurtzberg and Kayvan Sadeghi are a Partner and Associate at Cahill Gordon & Reindel LLP, counsel for Lorillard Tobacco Company in this case.

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Third Circuit Reaffirms Rejection of FCC's "Fleeting Images" Policy

Reverses Super Bowl Fine

By Robert Corn-Revere and Ronald G. London

On Nov. 2, 2011, the United States Court of Appeals for the 3rd Circuit reaffirmed and largely readopted its 2008 decision rejecting the \$550,000 forfeiture and finding of indecency violation levied against CBS for the 2004 Super Bowl halftime show featuring Janet Jackson and Justin Timberlake. [*CBS Corporation et al. v. FCC*](#), No. 06-3575.

The appeal involved the live broadcast of the show, which culminated in an unscripted nine-sixteenth-second exposure of Janet Jackson's breast.

The 3rd Circuit previously had held the FCC arbitrarily and capriciously departed from a prior policy of excepting fleeting broadcast material from the scope of actionable indecency, and that the agency could not impose strict liability on CBS, or hold it liable for conduct of Jackson and Timberlake, who were independent contractors not CBS employees. The 3rd Circuit reexamined that decision after the FCC appealed to the Supreme Court, which vacated the 3rd Circuit's original decision and ordered it to decide whether the Supreme Court's 2009 decision in *FCC v. Fox Television Stations* required it to reconsider its decision. In *Fox*, the Court held the FCC had not acted arbitrarily and capriciously in changing its indecency policy to enforce the law against broadcasts of "fleeting expletives."

In the remand proceeding, the 3rd Circuit reaffirmed its earlier decision to invalidate the fine imposed on CBS. It held that, while the FCC had recognized it was changing its policy that made fleeting expletives non-actionable, the Commission

failed in the Super Bowl case to acknowledge the prior policy even existed, or to explain its departure from that position. The court granted the CBS petition for review in full, and vacated the FCC's decision.

3rd Circuit's Original Holding

In the court's original opinion, the 3rd Circuit found that at the time of the 2004 Super Bowl halftime show, the FCC's policy was to exempt fleeting or isolated material—both images and words—from the scope of actionable indecency. "During a span of three decades," the court observed, "the

Commission frequently declined to find broadcast programming indecent, its restraint punctuated by only a few occasions where programming contained indecent material so pervasive as to amount to 'shock treatment' for the audience." Contrary to the FCC's argument that it always treated fleeting images differently from fleeting expletives, the 3rd Circuit found that the agency's indecency

enforcement history proved otherwise.

Moreover, regardless of whether the Super Bowl fine was unprecedented because the FCC had previously treated fleeting images and fleeting words the same (or never had articulated a specific policy on how it would treat fleeting images), the court held the FCC's inclusion of fleeting



The appeal involved the live broadcast of an unscripted nine-sixteenth-second exposure of Janet Jackson's breast.

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images within the scope of actionable indecency was an unexplained departure from prior policy.

Reaffirmation and Reissuance

On remand from the Supreme Court, the 3rd Circuit held, in an opinion by Judge Rendell, joined by Judge Fuentes, that “[w]hile we can understand the Supreme Court’s desire that we re-examine our holdings in light of its opinion in *Fox* — since both involve the FCC’s policy regarding — fleeting material — ... if anything, *Fox* confirms our previous ruling.” Therefore, the court determined it “should readopt our earlier analysis and holding that the Commission acted arbitrarily in this case.” In doing so, the majority held, there was no reason to depart from the prior ruling’s extensive examination of FCC precedent, which found that it had never treated images and words differently in its historically restrained indecency enforcement policy under which fleeting live material was deemed non-actionable.

The court rejected the FCC’s argument that “one small portion of the background section” in the Supreme Court’s *Fox* opinion supported the position that the fleeting-material policy never applied to images, but always was restricted to words. The FCC claimed that the Court’s brief reference confirmed the fleeting expletives policy was an exception to the general rule that other types of content — words or images — were actionable even if fleeting. But the 3rd Circuit held it could “discern no such meaning” in that language.

The 3rd Circuit explained that “summary recitation of the Commission’s opinions ... appears in the Court’s background discussion of the FCC’s historical approach to indecent language, and is neither reasoning nor holding” but “mere characterization.” In this vein, the court continued, “*Fox* says nothing at all about images” nor did it “suggest that the FCC’s previous fleeting-material policy applied only to ‘words,’ or distinguished between words and images.” In short “the *Fox* Court had no occasion” to consider the FCC’s prior fleeting-material policy in the context of images.

The 3rd Circuit thus held it was “unwilling to read the Court’s silence as overruling our conclusion, based on a

careful review of three decades of FCC precedent” in the prior CBS decision. “If we were to read the Supreme Court’s background discussion in *Fox* as indicating that the history of FCC enforcement in the area of fleeting material recognized an exception only for non-literal expletives, to the exclusion of images,” the 3rd Circuit continued, “we would be accusing the Supreme Court of rewriting history.”

The 3rd Circuit found that the Commission had attempted to convert “a passing reference in *Fox*’s background section into a holding that undermines what the opinion otherwise makes clear: an agency may not apply a policy to penalize conduct that occurred before the policy was announced.” The court thus readopted its prior decision, with some alterations to address other conclusions reached by the original majority opinion.

Specifically, the original decision had held that even if the departure from precedent did not invalidate the Super Bowl forfeiture, the FCC could not impose liability on CBS for the

actions of Jackson and Timberlake because they were independent contractors and not CBS employees. It also rejected the FCC’s argument that CBS had a “nondelegable duty” to comply with the indecency policy, because the First Amendment bars punishing a speaker for the content of expression absent a showing of scienter, i.e., knowing or

reckless violation of indecency law. On all these liability and intent issues, the majority decision on remand held the prior discussion had been unnecessary, and thus excised that portion of the prior opinion from the reissued decision.

Judge Scirica, who had authored the 3rd Circuit’s original opinion, dissented from its reaffirmance and readoption. In his view, the relevant passage of the Supreme Court’s *Fox* decision, and the context in which it arose, supported the FCC’s argument. Even so, Judge Scirica would not have upheld the FCC’s fine against CBS. Instead, he opined, the FCC applied the wrong statutory provision, and misapprehended the level of “willfulness” that would have been required, in seeking to punish CBS. In that view, a remand to determine whether CBS had acted recklessly in airing the Super Bowl halftime broadcast would be required.

Bob Corn-Revere and Ronnie London of Davis Wright Tremaine represented CBS before the 3rd Circuit and the FCC.

The court determined it “should readopt our earlier analysis and holding that the Commission acted arbitrarily in this case.”

Supreme Court Preview: FCC v. Fox Television Stations

Merits and Amicus Briefs

On January 10, 2012, the Supreme Court heard argument in *FCC v. Fox Television Stations* to consider whether the FCC's current indecency enforcement regime violates the First Amendment.

At the beginning of 2010, the Second Circuit held that the *Pacifica* indecency rules were no longer tenable in the current media landscape. *See* 613 F.3d 317 (2d Cir. 2010). The court noted:

The past thirty years has seen an explosion of media sources, and broadcast television has become only one voice in the chorus. Cable television is almost as pervasive as broadcast — almost 87 percent of households subscribe to a cable or satellite service — and most viewers can alternate between broadcast and non-broadcast channels with a click of their remote control. The internet, too, has become omnipresent, offering access to everything from viral videos to feature films and, yes, even broadcast television programs. As the FCC itself acknowledges, “[c]hildren today live in a media environment that is dramatically different from the one in which their parents and grandparents grew up decades ago.” *Id.* at 326.

The FCC petitioned the Supreme Court to review this decision and asked the court to review the following questions.

1. Whether the court of appeals erred in invalidating a finding by the Federal Communications Commission (FCC) that a broadcast including expletives was indecent within the meaning of statutory and regulatory prohibitions on indecent broadcasts, on the ground that the FCC's context-based approach to determining indecency is unconstitutionally vague in its entirety.

2. Whether the court of appeals erred in invalidating a finding by the FCC that a broadcast including nudity was indecent within the meaning of statutory and regulatory prohibitions on indecent broadcasts, on the ground that the FCC's context-based approach to determining indecency is unconstitutionally vague in its entirety.

A wide-range of groups have weighed in with amicus briefs on both sides of the issue. The briefs are available at the links below.

Briefs Filed With the Supreme Court

[Brief for the Petitioner Federal Communications Commission, et al.](#)

[Brief for Respondents ABC, Inc., KTRK Television, Inc., and WLS Television](#)

[Brief for Respondents ABC Television Affiliates Association](#)

[Brief for Respondents CBS Television Network Affiliates Association and NBC Television Affiliates](#)

[Brief for Respondents Center for Creative Voices and Future of Music Coalition](#)

[Brief for Respondent's Fox Television Station, Inc., NBCUniversal Media, LLC, CBS Broadcasting, Inc., and FBC Television Affiliates Association](#)

[Reply Brief for Petitioner Federal Communications Commission, et al.](#)

Amicus Briefs

[Brief for the Decency Enforcement Center for Television in Support of Petitioner](#)

[Brief for National Religious Broadcasters in Support of Petitioner](#)

[Brief for Parents Television Council in Support of Petitioners](#)

[Brief for Morality in Media, Inc., in Support of Petitioner](#)

[Brief for Focus on the Family and Family Research Council in Support of Petitioner](#)

[Brief for Former FCC Officials in Support of Respondent](#)

[Brief for the National Association of Broadcasters and Radio-Television Digital News Association in Support of Respondent](#)

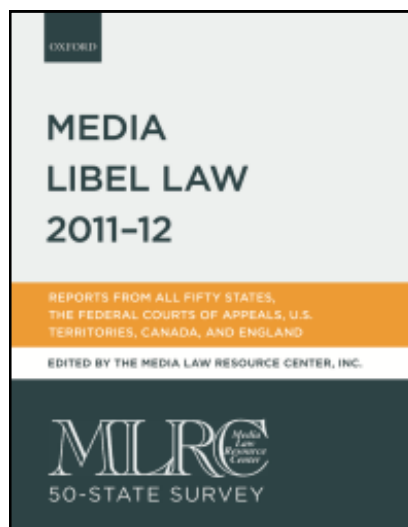
[Brief for the Reporter's Committee for Freedom of the Press and the E.W. Scripps Company in Support of Respondent](#)

[Brief for American Academy of Pediatrics, American Academy of Child and Adolescent Psychiatry, Benton Foundation, Children Now, and, United Church of Christ Office of Communication, Inc in Support of Affirmance](#)

[Brief for Yale Law School Information Society Project Scholars, New America Foundation, and Professor Monroe Price in Support of Neither Party](#)

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Seventh Circuit Panel Hears Arguments in *ACLU v. Alvarez*

Judge Posner Concerned With “Snooping” by Reporters and Bloggers

By Mickey H. Osterreicher

On September 13, 2011 a three judge panel of the United States Court of Appeals for the Seventh Circuit heard [oral argument](#) in *ACLU v. Alvarez*, during which the well-respected jurist, Richard A. Posner, pointedly and often antagonistically questioned the appellants’ attorney.

This appeal of a lower court dismissal involves issues similar to the First Circuit’s decision in [Glik v. Cunniffe](#) in that Massachusetts and Illinois both have wiretap statutes that make it a crime to record police. The difference between the two is that in Massachusetts – audio may not be secretly recorded; while in Illinois – audio may not be recorded without the consent of all parties (it makes no difference whether the recording is being done secretly or openly).

Illinois Eavesdropping Act

In *Alvarez the ACLU* is “challenging the constitutionality of the Illinois Eavesdropping Act, 720 ILCS 5/14 (“the Act”), as applied to the audio recording of police officers, without the consent of the officers, when (a) the officers are performing their public duties, (b) the officers are in public places, (c) the officers are speaking at a volume audible to the unassisted human ear, and (d) the manner of recording is otherwise lawful.” *Id.* at 1. The ACLU is seeking a declaratory judgment and a preliminary injunction against the application of the eavesdropping law because it violates the First Amendment.

The complaint filed in the United States District Court for the Northern District of Illinois in August 2010 stemmed from the ACLU’s intention to “undertake a program of monitoring police activity in public places by means including common audio/video recording devices” in order to document police misconduct. ACLU staff feared arrest and prosecution under the act if they implemented the program, which is the underlying reason for the lawsuit against Anita Alvarez, in her official capacity as Cook County State’s Attorney. The complaint alleges that the ACLU has “a First

Amendment right to gather this information, disseminate that information to the public and with courts and government agencies in petitioning for redress of grievances.”

The [Act](#) states that “[a] person commits eavesdropping when he ... [k]nowingly and intentionally uses an eavesdropping device for the purpose of hearing or recording all or any part of any conversation ... unless he does so ... with the consent of all of the parties to such conversation....” The [Act](#) further defines “conversation” to mean “any oral communication between 2 or more persons regardless of whether one or more of the parties intended their communication to be of a private nature under circumstances justifying that expectation.”

This added definition stems from *People v. Beardsley*, 115 Ill. 2d 47 (1986) where the Illinois Supreme Court held that “under the prior version of the Act, the criminal offense of eavesdropping occurred only where the conversation at issue took place under circumstances which entitle [the parties to a conversation] to believe that the conversation is private and cannot be heard by others who are acting in a lawful manner.” See [ACLU’s Brief citing Beardsley](#) at 53.

In *Beardsley* the Illinois Supreme Court concluded that the defendant motorist did not violate the Act because the conversation with a police officer that he recorded during a traffic stop was not private. Reacting to that ruling the Illinois legislature amended the Act in 1994 pursuant to Public Act 88-677. The bill’s apparent purpose was “to reverse the Beardsley eavesdropping case ... which expressly includes non-private communications.”

On January 10, 2011, U.S. District Court Judge Suzanne B Conlan, [granted the government’s motion to dismiss the case](#), finding that “[t]he ACLU has not met its burden of showing standing to assert a First Amendment right or injury” but instead “proposes an unprecedented expansion of the First Amendment.” The ACLU appealed that decision to the Seventh Circuit.

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Media Amicus

The National Press Photographers Association joined with the Illinois Press Association, the Reporters Committee for Freedom of the Press, the American Society of Newspaper Editors, the Association of Capitol Reporters and Editors, the Citizens Media Law Project, the Radio-Television Digital News Association and the Society of Professional Journalists in an [amicus curiae brief](#) supporting the ACLU's position and requesting "that the Court reverse the lower court's ruling denying the ACLU's motion to file an amended complaint and find that the Illinois Eavesdropping Act's criminalization of recording of conversations to which parties have no reasonable expectation of privacy violates the First Amendment rights of all people, whether journalists or not, to gather information."

Oral Argument

During what has now become a [highly publicized exchange](#), Judge Posner immediately interrupted the argument with "Once all this stuff can be recorded, there's going to be a lot more of this snooping around by reporters and bloggers." ACLU attorney Richard O'Brien countered, "Is that a bad thing, your honor?" To which Judge Posner stated, "Yes, it is a bad thing. There is such a thing as privacy." (Oral Argument at 8:04 to 8:15).

What the judge seemed to be asserting in his hypotheticals, which characterized recording in public as a "bad thing" done by "snoopers," was that citizens and officials in a public area have a reasonable expectation of privacy when they are speaking. He appeared not to distinguish between matters of public concern and discussions that are private in nature or appropriate time, place and manner restrictions.

Judge David F. Hamilton pressed Assistant State's Attorney Jim Pullos to articulate the "legitimate privacy interest in conversations that are going on in public with a public official that are audible to passerby." The judge also questioned him about the police exemption to the Act whereby they are permitted to record others without their consent under certain circumstances. Judge Diane S. Sike also questioned Mr. Pullos about another so-called exemption to the Act allowing journalists to make such recordings

without permission in light of the broad ruling in Glik that recognized citizen-journalists.

In [comments](#) made after the arguments in the Seventh Circuit, Harvey Grossman, Legal Director for the ACLU of Illinois said "In order to make the rights of free expression and petition effective, individuals and organizations must be able to freely gather and record information about the conduct of government and its agents— especially the police." "Organizations and individuals should not be threatened with prosecution and jail time simply for monitoring the activities of police in public, having conversations in a public place at normal volume of conversation, he added"

In a related case an Illinois woman charged under the same statute was acquitted on August 25, 2011 by a Chicago jury on charges that she secretly recorded her conversation with Chicago police officers without their permission. Tiawanda Moore was found not guilty by jurors who deliberated for less than an hour, thus avoiding a possible 15 year prison term.

According to the [Chicago Tribune](#), Ms. Moore had recorded her conversation with two internal affairs officers when she became concerned that they were trying to persuade her to drop a sexual harassment complaint against another officer. A key element in Moore's defense centered upon another exemption in the Act that permits citizens who have a "reasonable suspicion" that a crime is being committed to make such secret recordings. See [720 ILCS 5/14 3\(i\)](#). Jurors were able to listen to portions of the recording. After the verdict [one commented](#) "the two cops came across as intimidating and insensitive." "Everybody thought it was just a waste of time and that (Moore) never should have been charged."

As Mr. O'Brien concluded in his argument, the case really hinges on whether the statute is narrowly tailored to serve a substantial government interest to be a reasonable time, place and manner restriction on speech or whether the court finds the Act to be so overly broad as to be unconstitutional despite the specific legislative intent of the 1994 amendment granting police officers performing their public duties a reasonable expectation of privacy when speaking in a public place. A decision by the Seventh Circuit is expected in early 2012.

Mickey H. Osterreicher is the general counsel for the National Press Photographers Association (NPPA) and was one of the amici in this case. The ACLU is represented in the case by Richard O'Brien, Sidley Austin LLP, Chicago, IL.

Voice-Mail Hacking in the United States

Illegal but Not Usually a Federal Felony

By Michael A. Norwick

In the wake of the shocking News Corporation voice-mail hacking scandal in the United Kingdom, and the arrests in London of reporters and editors accused of illegally intercepting voice-mail messages, there has been increasing interest in the landscape of U.S. law that criminalizes such conduct in the States. Although there have only been a handful of publicized prosecutions for voice-mail hacking in the United States, there are a number of overlapping state and federal laws that criminalize such conduct. Most famously, Michael Gallagher, the reporter involved in the Cincinnati Enquirer hacking scandal, was prosecuted under Ohio wire fraud and computer laws, and took a plea deal in 1999.¹ He was sentenced to five years probation and 200 hours of community service.²

Federal Statutes

A number of federal laws – including the Stored Communications Act, the Computer Fraud and Abuse Act and the recently enacted Truth in Caller ID Act of 2009 – all have application to at least some voice-mail hacking crimes, but they generally treat the crime as a misdemeanor unless special circumstances are present.

Perhaps the most straight-forward law for federal authorities is to bring charges under the Computer Fraud and Abuse Act (“CFAA”). There are a wide range of specific offenses under the CFAA that vary in the severity of available punishments depending on the value of the information accessed and the purpose of the intrusion. The most generic instance that would likely apply in a phone-hacking case is under 18 U.S.C. § 1030(a)(2)(C):

Whoever-- intentionally accesses a computer without authorization or exceeds authorized access, and thereby obtains-- information from any protected computer shall be punished

A first violation of § 1030(a)(2)(C) (or conspiring to commit such an offense) is deemed a misdemeanor, calling for fines and/or imprisonment of under one year. Felony charges would only be applicable in certain instances, e.g., where the

value of the information obtained exceeds \$5,000, or where the defendant accessed information related to national security, or had the intent to defraud the victim or gain commercial advantage, or committed the voice-mail hacking in furtherance of another criminal or tortuous act. See 18 U.S.C. § 1030 (a) & (c).

At least one commentator has agreed that that statute is clearly applicable to voice-mail hacking: “Hacking in to another person’s voicemail box is clearly an unauthorized access, and the computers that host voicemail files are clearly “computers.” See Orin S. Kerr, [“Did the ‘News of the World’ Phone Hacks Violate U.S. Criminal Law?”](#) The Volokh Conspiracy (blog) (July 13, 2011) (citing *United States v. Kramer*, 631 F.3d 900 (8th Cir. 2011) as exemplary of the broad definition of “computers” afforded under §1030); see also 18 U.S.C. § 1030 (e)(2)(B) (defining “protected computer” as *inter alia* one “which is used in or affecting interstate or foreign commerce or communication”). One instance of a successful prosecution for voice-mail hacking under the CFAA occurred in *United States v. Cioni*, 2011 U.S. App. Lexis 8085 (4th Cir.), where the defendant was convicted of voice-mail and e-mail hacking under the CFAA and other related federal charges.

Voice-mail hacking can also be prosecuted under the Stored Communications Act, 18 U.S.C. § 2701 (the “SCA”), however, the SCA most likely only applies to voice-mails that have not yet been listened to. The statute provides that whoever:

- (1) intentionally accesses without authorization a facility through which an electronic communication service is provided; or
- (2) intentionally exceeds an authorization to access that facility; and thereby obtains, alters, or prevents authorized access to a wire or electronic communication while it is in electronic storage in such system shall be punished

Similar to the CFAA, the punishment for a first offense under the SCA is a fine and/or under one year in prison, but

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can be increased to up to five years “if the offense is committed for purposes of commercial advantage, malicious destruction or damage, or private commercial gain, or in furtherance of any criminal or tortious act” 18 U.S.C. § 2701 (b).

Although some voice-mail hacking cases have been prosecuted under the SCA,³ a problem lies in the generally narrow definition given to “in electronic storage” under the Act. Under the SCA, “electronic storage” does not refer to any electronically stored information, but only to:

(A) any temporary, intermediate storage of a wire or electronic communication incidental to the electronic transmission thereof; and (B) any storage of such communication by an electronic communication service for purposes of backup protection of such communication.

18 U.S.C. § 2510(17).

Some federal courts adhere to the view that “electronic storage” refers “only to temporary storage made in the course of transmission by a service provider and to backups of such intermediate communications made by the service provider to ensure system integrity.” *Searching & Seizing Computers and Obtaining Electronic Evidence in Criminal Investigations*, Department of Justice Computer Crime & Intellectual Property Section (3d Ed. 2009) (“DOJ Computer Crime Manual”), at ch.3, § C.3. “Electronic storage” does “not include post-transmission storage of communications.” *Id.* For this reason, some federal courts, in the context of e-mail communications, hold that e-mails which have already been opened by their recipient are no longer in “temporary, intermediate storage,” and are thus no longer subject to the SCA. *See, e.g., Fraser v. Nationwide Mut. Ins. Co.*, 352 F.3d 107, 114 (3d Cir. 2004) *aff’g Fraser v. Nationwide Mut. Ins. Co.*, 135 F. Supp. 2d 623, 636 (E.D. Pa. 2001); *see also United States v. Weaver*, 636 F. Supp.2d 769, 772 (C.D. Ill.

July 15, 2009) (interpreting “electronic storage” to exclude previously sent email stored by web-based email service provider).

By contrast, in *Theofel v. Farey-Jones*, 359 F.3d 1066 (9th Cir. 2004), the Ninth Circuit held that email messages were in “electronic storage” even if they have been previously accessed, because retrieved email falls under the backup portion of the definition of “electronic storage.” *Id.* at 1075-77. At least a couple of district courts have followed *Theofel*. *See Bailey v. Bailey*, 2008 U.S. Dist. LEXIS at *15-17 (E.D. Mich. Feb. 6, 2008) (approving of *Theofel*), and *Cardinal Health 414, Inc. v. Adams*, 482 F. Supp. 2d 967, 976 n.2 (M.D. Tenn. 2008) (same).

Importantly, because the Department of Justice adheres to the narrow interpretation of “electronic storage” for the purposes of the SCA under its internal guidelines, and views e-mails and voice-mails similarly, (*see DOJ Computer Crime Manual*, at ch.3, § C.3) it seems unlikely that it would prosecute anyone for hacking an already-listened-to voice-mail under the SCA, even in the Ninth Circuit and in those jurisdictions following *Theofel*.⁴ Obviously, this would pose a serious obstacle for prosecutors in many voice-mail hacking cases.

A third federal statute that could be used in voice-mail hacking prosecutions is the recently enacted

A number of federal laws – including the Stored Communications Act, the Computer Fraud and Abuse Act and the recently enacted Truth in Caller ID Act of 2009 – all have application to at least some voice-mail hacking crimes, but they generally treat the crime as a misdemeanor unless special circumstances are present.

Truth in Caller ID Act of 2009, which went into effect on December 22, 2010. This statute could be applied to voice-mail hackers who use a software tool that facilitates the unauthorized access by manipulating caller ID information. The most notorious such computer program, which has been implicated in several voice-mail hacking cases, is called “SpooferCard.” *See, e.g., United States v. Cioni*, 2011 U.S. App. LEXIS 8085 at *6 and, *supra*, n.1 (the New York state prosecution against the former publicity director for Dolce & Gabbana, Ali Wise, who used the SpooferCard software to hack voice-mail accounts).⁵ Although SpooferCard has some legitimate privacy uses, it also allows the user to by-pass a voice-mail security systems by pretending to be the voice-mail owner calling from his or her own phone.

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The recently passed Truth in Caller ID Act of 2009 forbids any person “to cause any caller identification service to knowingly transmit misleading or inaccurate caller identification information with the intent to defraud, cause harm, or wrongfully obtain anything of value” 47 U.S.C. § 227(e)(1). Violators may be subject to civil forfeiture proceedings, and “a willful and knowing” violation of the Act may be punishable by fines and imprisonment for a term not exceeding one year. *See* 47 U.S.C. § 227(e)(5); 47 U.S.C. § 501. It is unknown if there have been any prosecutions to-date under this statute.

Thus, while a person accused of voice-mail hacking in the United States could be federally charged under the Computer Fraud and Abuse Act, the Stored Communications Act, and/or the Truth in Caller ID Act of 2009, an American journalist committing these crimes in pursuit of the type of information obtained in the News Corp. scandal would likely only face misdemeanor charges under these statutes. It will be worth watching to see if the fall-out from the British scandal provokes Congress to enact legislation with more severe penalties. Further, it will be interesting to survey the existing landscape of State laws, such as those used in the Michael Gallagher and Ali Wise prosecutions, to assess the differences in the law throughout the country.

Michael Norwick is an MLRC staff attorney.

Notes

1. See Roy S. Gutterman, Note, “Chilled Bananas: Why Newsgathering Demands More First Amendment Protection,” 50 Syracuse L. Rev. 197, 200 (2000).
2. Another highly publicized case is that of Ali Wise, the former publicity director for Dolce & Gabbana, who was charged with hacking into the voice-mail accounts of at least four individuals on over 400 separate occasions. See Laura Italiano, “PR princess Ali Wise pleads guilty to felony charge,” New York Post (April 29, 2010). She pleaded guilty to New York state charges of eavesdropping and computer trespassing in a deal in which she was sentenced to community service and a small fine, and allowed to avoid a felony conviction.
3. For example, one case that received some publicity is that of former LegalMatch CEO, Dmitri Shubov, who was federally indicted in connection with hacking the voice-mail of a competitor, deleting messages, and lying to investigators. See Lisa J. Chadderdon, “Legal Match Founder Indicted,” 3 ABA Journal eReport 22 (June 4, 2004). Shubov ultimately plead guilty to one count of unlawful access to stored communications, and aiding and abetting thereof, under 18 U.S.C. § 2701. See *In the Matter of Dmitry Shubov*, 2005 N.Y. App. Div. LEXIS 11185.
4. The DOJ’s position stems from the fact that § 2703 of the SCA controls the circumstances under which a search warrant or other process is required to access stored communications in criminal investigations, and the Department has consistently advocated for less burdensome restrictions on government access to stored communications.
5. Allegations involving the use of this software to hack voice mail led to the SpoofCard service suspending the accounts of over 50 individuals in 2006, including most famously, socialite Paris Hilton (who publicly denied the allegations). See Alicia Hatfield, Note and Comment, “Phoney Business: Successful Caller ID Spoofing Regulation Requires More Than the Truth in Caller ID Act of 2009,” 19 J. L. & Pol’y 827, 837 (2011). In 2008, the company that makes SpoofCard software agreed to an injunction in connection with an investigation brought by the Los Angeles District Attorney’s office, in which the company agreed that it would not make misrepresentations about the legality of the product.